

Growth of a new world financial centre

By Malcolm Surry

HOW many of you know where to find the third most important financial capital in the world after London and New York?

Forget Frankfurt, pass up Paris, zero marks for Zurich and you would be badly out with Beirut. Try Hong Kong, where Suzy Wong is just as likely to work behind a bank counter as in a bar room.

Hong Kong's emergence as one of the major financial centres has been rapid, but the starting point, and what in money terms provides almost the *raison d'être* of the place, can be summed up in three words — free foreign exchange.

Hardly a nation on earth can afford to allow its citizens and foreigners the absolute freedom of converting, exporting and importing currency at will. In Hong Kong, the authorities can scarcely afford to do anything else, and the idea of foreign exchange control is an anathema.

At times Hong Kong is almost bursting at the seams with money and most recent figures suggested something like the equivalent of US\$14 billion on deposit in the banking system.

The local Chinese, who make up the bulk of the population, manage to combine the strange paradox of being unthinkably among the wealthiest — and the poorest — of nations.

where, while at the same time being shrewd and prudent savers.

The Hong Kong and Shanghai Bank alone, the biggest of the local banks, boasts more than 1 million individual savings accounts.

Not all the cash flowing around Hong Kong belongs to local residents. Substantial capital inflows arrive from abroad, not least from thousands of "overseas Chinese" living around the Pacific Basin as well as in North America and Europe.

Normally a good proportion of these funds, known in the vernacular as "hot money", sit on deposit for a while before flowing out again free as a bird

to other international havens if interest rates there turn more attractive.

All of this means banks, lots of them, and sophisticated communications which most observers agree give Hong Kong the edge over most Asian neighbours.

Up to the beginning of the 1970s, the established domestic banks had things pretty much to themselves and it is doubtful if overseas money moguls regarded the place as much more than an eccentric, and sometimes downright risky, rickshaw park in the back-garden of China.

The lion's share of the deposit business is still held by the 115 licensed banks, but

competition in ancillary services has heated up apace. The last few years have seen an invasion of foreign banks and banking consortia.

Just one floor of the 52-storey Commerce Centre, which towers above Hong Kong's financial district, houses Banco Ambrosiano Italy, Berliner Handels- und Frankfurt, Credit Commercial De France, Kreditbank Belgium, Nederlandsche Middenstandsbank, Privatbank Denmark, Korea First Bank (HK), Williams and Glyn's of England and the Industrial Bank of Japan.

On the merchant banking front, Jardine Fleming, N M Rothschild and Sons, Hill Samuel, Hambro, Kleinwort

Benson and other famous names from Europe have set up business in Hong Kong to be joined by institutions of equal stature from the United States, Japan and elsewhere.

There are more than 20 registered deposit-taking houses in Hong Kong, ranging from small home-grown finance companies to giant banking consortia whose local capital is backed up by the overseas assets of their overseas parents.

The finance houses all involve themselves in foreign exchange and money market activities, corporate advice, investment management and bullion trading.

For the larger institutions, really big business is in the syndication.

Lending in Australia, which, like their European counterparts, simply mean dollars, assuming the global side the United States. It recently enjoyed a tremendous boom.

Although Singapore is a lively competitor in the offshore money market, Hong Kong's share of the Asian market around US\$10 billion.

Hong Kong never missed an opportunity to become a well-financed centre. And there, still those who question the value of such a role, argue, it does sometimes cause capital flows and enormous pressure on the Hong Kong dollar.

Not much over 10 per cent of the 2 million work force is engaged in finance, insurance, real estate and business services.

But the contribution of the finance sector to "total" earnings might be as high as US\$100 million a year, together with other income like shipping and tourism, historically picked up by the rest of the world — although more recently the gap has been harder to fill.

There can be little argument that what really put Hong Kong on the international financial map was the crash of 1972/1973 when the local market turned in one of the biggest booms in business history — followed almost immediately by a catastrophic bust.

Foreign investors, blinded by the euphoria of the boom, even existed, set up shops when the volume of trade rocketed to well over US\$100 million a day at one point in the Hang Seng Index — the equivalent of the Dow Jones — soared from around 300 in 1970 to 13 in 1973.

The trauma of the crash, spectacular subsequent recovery which saw the index rise to 1,000 amid charges of manipulation and foreigners creating artificial major profits, left an indelible mark.

But the international attention that was created for the most part stayed. The stock market scene has become again today and a new boom has re-created the market to around the 1970s.

An accident of fate produced not one but two separate stock exchanges with the rival Far East, Kowloon and Kowloon stock exchanges breaking away from the established Hong Kong Stock Exchange in a frantic race to play the new money game.

Government — sponsored moves are now well advanced to merge the four exchanges into one unified market.

NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

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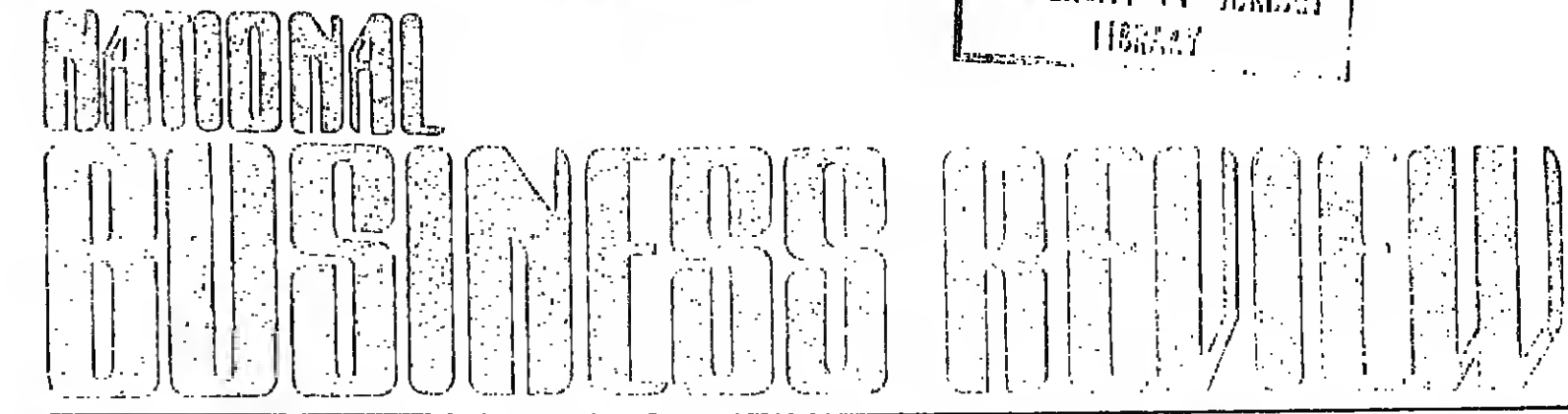
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Innovators slug it out in court with foreign imitators

by John Draper

CHRISTCHURCH — based C W F Hamilton Ltd, makers of the revolutionary jet boat engine, are suing its American agents for infringing the patent rights.

Since 1977, Jet Craft Inc of Tacoma, Washington, have been manufacturing imitations and selling them under the Hamilton name in competition to those made by its Christchurch principal.

Hamilton's appointed Jet Craft agents in 1975 to sell a complete range of jet boats from Alaska to California on the west coast.

Sluggish sales, through 1978 were explained away as a drop in overall demand for pleasure boats.

It was not until last year when a substantial order on the point of shipment was cancelled that a representative was sent from Christchurch to investigate.

C W F Hamilton Ltd chairman Jon Hamilton said: "It was something of a shock to us to find out our agents were manufacturing jets in competition to us."

The United States is the jet boat makers largest single market, particularly for smaller engines used in pleasure craft, the type now being made in hush of Hamilton's patent rights registered there.

The Hamilton company is suing Jet Craft on three counts:

- For a breach of patent rights;
- For infringement of a trademark;
- And for breach of contract.

Stevens-Bremner may shift base

STEVENS-Bremner appears to be pulling out of Auckland. Its brand new office, warehouse and showroom at the corner of Khyber Pass and Mountain Roads Auckland is looking for a new tenant.

The building was built last year by Chase Holdings Ltd and sold with a sitting tenant to Mutual Funds Ltd.

Stevens-Bremner had a 15-year lease. They moved in about September 1979.

Stevens-Bremner have the right to reassign the lease. Collier-Fletcher, real estate agents are looking for new tenants for the 2050 square metre building.

There are two options in rental:

- The new tenant pays rent of \$83,670 a year and buys the partitions for \$130,000;
- The new tenant pays \$105,763 rent and rents the building and the partitions.

Gambling on the future of Twizel

by John Draper

SOUTH Island tourist operators want to take a gamble on the future of Twizel.

When the Ministry of Works move out in four or five years the Canterbury-Westland branch of the National Travel Association is proposing that the tourist industry moves in to create a Las Vegas in the semi-arid Mackenzie Basin.

The concept is the brainchild of Ted Beckett, Public Affairs manager, of the Mount Cook Group. He claims the company is not involved at this stage.

Beckett wants the Government to establish a Commission to licence hotels, and motels in the Twizel area and control the gambling facilities they can offer.

There is also a question hanging over a \$100,000 advance made to Jet Craft for promotion.

Hamilton is no longer certain that the money was spent on the promotion of its products.

It is also understood that Jet Craft have headmanned a former Hamilton employee to assist with production.

Hamilton's arrangement with the American agent was to supply the engines manufactured in Christchurch for Jet Craft to build into boats.

To enable the work to be done Hamilton's Company supplied extensive technical information. In return it has received little more than customer reaction to the craft's performance.

Hamilton expects to spend at least \$100,000 to get its patent rights enforced, an amount other firms with bitter experience say will just be enough to get the case to its first hearing day.

Jon Hamilton said it was not the first time that the firm's patent was understood to have been infringed by American firms.

But Hamilton's had not sued, either because the companies "were not in our category", or because "we did not have the backing to fight it".

A reluctance to take on bigger firms in the past may have encouraged the Washington-based distributor which is not a big company, to risk manufacturing imitation jet boat engines, Jon Hamilton said.

"They must have thought we were not going to sue," he said. As other firms have observed: "In the United States,

with their high legal costs, your patent is only as strong as your backhoe."

Another agent has been appointed to sell Hamilton's jet range of jet engines in the market the firm still believes has the greatest growth potential, though the disruption has been "a serious blow".

But until the court orders otherwise, Hamilton will be competing against its former agents, who have changed their name to Turbo Drive.

It is understood Hamilton's action is not the first against the firm for breach of patent and trade name rights.

American courts rarely grant injunctions in such actions for more than 11 days, and should the applicant lose the main action, substantial damages can be incurred.

Palmerston North-based Delta Plastics is also engaged in a legal suit to enforce its patent rights in the United States.

Delta make a two-piece plastic animal ear tag, which the firm claims is simpler, more humane and more durable than other tags.

According to Delta's sales director, Malcolm Cameron, the tag is a world beater.

"We have been exporting to the United States for the last seven years," he said. "And we are hurting the United States producers. We have proved we have a better product."

Cameron said American patent law was fairly clear. But its interpretation varied widely on the nine court circuits, with some judges rigidly enforcing the rights and others favouring the patent imitators.

Delta's action is against the subsidiary of a Texas-based multinational oil company and expects to come to court in that state within the next six to eight months.

Already Delta has had to fight similar actions in West Germany, which it won't and in France where "we burned them in marketing", because Delta's patent rights were not strong.

Another New Zealand firm fighting a running battle against imitators world-wide is Auckland-based Tullen Industries Ltd.

Managing Director John Tullen said the company has already spent more than \$250,000 fighting legal battle to protect its rights to its trademark ships.

"It's a continual process," he said.

Tullen's action was successful in the Hong Kong courts and the threat of legal action has deterred possible breaches in Britain.

Action has been considered in West Germany, where the courts demanded a \$10,000 bond before a case commenced, and was pending in the United States, where everyone had to pay their own expenses without the benefit of a court order for costs against the loser.

And because some infringements are not readily apparent, some imitators were not using steel handbrake blades and were therefore not in breach.

Tullen's have now decided on a policy of very different design. "We are trying to make our products look different and we are continually changing and innovating," Tullen said.

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The week

Maori bill scrapped

THE Maori Affairs Bill, after simmering in Parliament for two years, was abandoned in the light of recent recommendations of the Royal Commission of Inquiry into the Maori land courts. A new bill is to be introduced.

THE North Island main trunk line is to go electric at a cost of over \$100 million. The idea was first considered more than 25 years ago.

BOEING has won a \$41.2 million contract for the modernisation of the Air Force's Lockheed Orion long-range maritime patrol aircraft.

ONLY 456 votes of the 2885 special votes cast in the Northern Maori by-election were allowed. Justice Minister Jim McLay will send a letter to the rejected voters explaining why their votes did not count.

TRANSPORT Minister Colin McLachlan said the Railways "only" lost \$90 million, not the \$120 million the Auditor-General reported.

THE Opposition called on Lands Minister Venn Young to resign after alleging that the Minister helped get Agriculture Minister Duncan MacIntyre's daughter a farming loan. The loan had earlier been rejected by the Marginal Lands Board. A Government appointee on the board resigned as a result of the Minister's decision.

SHOP assistants will vote at stopwork meetings next month to decide on strike action as a protest against the Government decision to allow Saturday shopping.

AIR NEW ZEALAND's concern over rumours that it is unnecessarily imposing high fares on domestic routes to keep international fares down has prompted it to hire a private accounting firm to prove it is not "cheating" domestic passengers.

SUGAR prices jumped again, by 17 per cent, the second rise in three months.

A DRUGS Advisory Committee chaired by Horowhenua MP Geoff Thompson was formed by the Government.

AUCKLAND businessman Ivor Mosley lost a \$600,000 lawsuit against supermarket owner Albert Gubay and two companies. In a majority verdict the High Court found that the commission agreement allegedly made by the two parties was not genuine.

THREE Labour MPs will lay a formal complaint against irregularities in vote counting at the Onychunga by-election.

ABOUT 1000 carcasses of game worth \$300,000 which had been in cold storage from three to five years, were thrown away by Dunedin-based Consolidated Traders because the meat did not come up to the new game-meat standards set by the Agriculture Ministry.

LABOUR's Deputy leader David Lange swept past Bill Rowling, as favourite for Labour Prime Minister in the latest Auckland Star-Heylen Poll. Prime Minister Rob Muldoon was way ahead — the choice of 32.2 per cent.

SANJAY Gandhi, the son of Indian Prime Minister Indira Gandhi was killed in a light aircraft crash.

RUSSIA announced it was pulling 10,000 troops out of Afghanistan.

THE Japanese Liberal Democratic Party was re-elected with an increased majority.

FOREIGN Affairs Minister Brian Talboys left for talks with the Ministers of the five-member ASEAN.

COAL and nuclear power are the energy sources of the future — leaders of the world top seven Western nations.

The business week

Allflex Holdings Ltd appointed W.C. McPhail as the managing Director of Delta Plastics.

Cerameco Ltd reported an audited tax-paid profit of \$5,548,853 for the year to March 31 (\$4,228,851 last year). A final ordinary dividend of 11c is payable on August 21.

Collingwood Holdings Ltd reported an audited tax-paid profit of \$177,152 for the year to March 31 (\$109,518 last year). A final ordinary dividend of 5 per cent is payable on August 13.

Colyer Watson Holdings Ltd reported an audited tax-paid profit of \$33,921,000 for the six months to March 31 (\$31,250,000 same period last year).

John Edmonds Holdings Ltd reported a tax-paid profit of \$1,042,000 for the year to March 31 (\$950,000). A final dividend of 9 per cent is payable.

T.J. Edmonds Ltd reported an audited tax-paid profit of \$926,698 for the year to March 31 (\$877,005 last year). A final dividend of 11 per cent is payable.

Firestone NZ Ltd appointed Raymond Deal as managing director.

Fountain Corporation Ltd reported an audited tax-paid profit of \$325,965 for the year to March 31. A final dividend of 8c is payable.

Henry Jones (LXL) Ltd will merge with Barrett Bureston (Australia) Ltd.

Lion Breweries Ltd reported an audited tax-paid profit of \$15,095,000 for the year to March 31 (\$12,496,000 last year). A final dividend of 13 per cent is payable.

D. McL. Wallace Ltd reported an audited tax-paid profit of \$704,939 for the year to April

30 (\$593,013 last year). A final dividend of 3.25c is payable on September 5.

Marsac Holdings Ltd will open a merchant bank in Singapore which will become its third overseas subsidiary. It will cover ASEAN and the Gulf States.

Nell Holdings Ltd appointed G.S.R. MacDonald to the board.

Tasman Mutual Life Assurance Company Ltd was barred from trading for nine months after the company failed to make deposits worth \$500,000 in approved securities with the Public Trustee.

The week ahead

MONDAY: Commerce Commission hearing on motor vehicles.

Association of Training and Development meeting with a talk by George Rabey: "Problems of a training officer in search of an identity".

Deanes Industries annual general meeting in Christchurch.

TUESDAY: Lands and Agriculture select committee hearing on Veteran Services.

Select committee hearing on Public Expenditure Amendment Bill.

Select Committee hearing on Statutes Revision.

WEDNESDAY: Select committee on Labour and Education.

Hearing on Education Amendment Bill.

THURSDAY: The Government Budget will be delivered. A talk entitled "Management in Action" by Marshall Hyland at 5pm, Hotel St George, Wellington.

Deerstalkers conference in Gisborne.

FRIDAY: Consultant Engineers conference in Rotorua.

Exchange rates

As at June 26 1980, \$1NZ =

| | |
|--------------------------|----------|
| Australia | 88.32 |
| Britain | 2.04 |
| Canada | 1.1314 |
| Fiji | 2.871 |
| Japan | 21.26 |
| West Germany | 1.7254 |
| United States | 0.8917 |
| Austria | 12.26 |
| Belgium | 27.86 |
| China | 1.4222 |
| Denmark | 5.3368 |
| France | 4.0063 |
| Greece | 42.12 |
| Hong Kong | 4.9894 |
| India | 2.6802 |
| Italy | 818.23 |
| Malaysia | 2.0898 |
| Netherlands | 1.8882 |
| New Caledonia and Tahiti | 72.38 |
| Norway | 4.7408 |
| Pakistan | 8.5873 |
| Papua-New Guinea | on appl. |
| Portugal | 47.82 |
| Singapore | 2.0641 |
| South Africa | 7.524 |

The week

Glass monopoly's prices pain greenhouse makers

by Warren Berryman

NEW Zealand Window Glass Ltd, the foreign-owned import licence-protected monopoly based in Whangarei, has increased its glass prices by up to 23.6 per cent.

The company has increased prices by up to 40 per cent since January, and nearly 150 per cent since February 1976.

It now costs nearly three times as much to buy a window pane in New Zealand as in Australia.

Most of New Zealand Window Glass's product line — ordinary housing window glass and horticultural glass for hot-houses — enjoys a monopoly position in this market because of import licence restrictions barring competing imports.

In thicker grades of glass, the company competes against imports of high-quality float glass.

Where New Zealand Window Glass has a monopoly it has raised prices by 23.6 per cent. Where it competes with imported float glass, prices increased were held to 2.9 per cent.

The latest price increase was approved by the Trade and Industry Department in spite of strong protests from the Glass Association and glasshouse manufacturers.

The price increase will add about \$40 to the cost of glazing the average home and \$23 to the cost of a 6 x 8 ft glasshouse.

New Zealand Window Glass is owned 50/50 by Australian Consolidated Industries and Pilkington Brothers (NZ) Ltd. Pilkingtons are the kingpins in the international glass cartel.

Before imposing the latest price increase, New Zealand Window Glass advised customers: "Since the last price

increase in January 1980, oil has risen 32 per cent, imported raw materials by 22 per cent and rail freight by 36.125 per cent. These increases have been absorbed by New Zealand Window Glass in recent months.

However, we regret that we have no option but to pass on a part of the extra costs.

"The price rise has, of course, been approved by the Department of Trade and Industry. The department, in fact, approved an overall increase of 23.47 per cent during the first week of June. This percentage increase has not, however, been applied across the full range of sizes and substances. The new prices will come into effect for all glass dispatched on or after June 30, 1980."

Glass price increases have far outstripped the rate of inflation.

The rising costs claimed in New Zealand Window Glass's letter to customers did not show up in the company's last annual report, for the March 1979 year.

The report showed that the \$1,935,000 capital company made a gross profit of \$952,019 and a net profit after tax of \$634,715. The total net profit was paid out to the foreign-owned shareholders as dividends.

The same shareholders form Pilkington-ACI in Australia, which dominates that country's glass market.

ACI-Pilkington charges Australian consumers between one-half and one-third the price for glass that their New Zealand company charges here. Pilkingtons developed the float glass method in the late 1950s when a faultless sheet of glass is floated on a bed of

molten tin. This process took seven years and \$7 million to develop. It requires large economies of scale to make it pay.

New Zealand Window Glass produces lower-quality sheet glass by drawing glass up from a tank.

Overseas, particularly in the United States, sheet glass manufacturers compete on price with float glass manufacturers in the thinner grades of glass up to 6 mm.

But New Zealand Window Glass's prices for sheet glass are approaching those of top-quality float glass.

New Zealand Window Glass price increases for sheet glass are now making imported float glass an attractive alternative, particularly in the thicker grades above 3 mm.

New Zealand Window Glass increased its prices for 2 mm thick glass by 23.6 per cent, 3 mm by 23.5 per cent and 6 mm by only 2.9 per cent.

Had New Zealand Window Glass increased its prices for the thicker grades of glass by the same 23.6 per cent as it put on the thinner grades, it is likely that glass merchants would have imported top-quality float glass rather than buy from the local company.

Imported float glass carries a 10 per cent duty. "Wipe this duty", said glass dealer, "and float glass of the best possible quality would be cheaper than the local sheet glass."

"From the consumer's point of view it would be better to run a bulldozer through New Zealand Glass's works," he said.

Glass-house manufacturers are angry about the price hikes. Auckland-based Edenlite Garden Products general manager Tim Johnstone said his company had just spent several thousand dollars designing a new aluminium ex-

trusion to save \$4 in the cost of a glasshouse. With one fell blow the glass price increased added \$23 to the cost of that glasshouse.

Edenlite exports about a quarter of its \$1 million a year production.

The aluminium glasshouses are exported without the glass. It costs Edenlite \$121 to glaze a glasshouse here, against \$53 in Australia, Johnstone said. The 3 mm horticultural glass from New Zealand Window Glass costs him \$6.56 a square metre. In Australia it is \$4.21.

Johnstone said he needed a strong domestic market as a springboard for his exporting effort. But the glass price increases nobled his sales pitch about the economics of growing vegetables year round in the backyard.

Edenlite's competitor in the glasshouse market, Bill Christies, of Dunedin, said he was looking at alternatives to glass following the price increases.

"If we want to stay in business we will have to look to alternatives such as polycarbonate or fibreglass," Christie said.

Edenlite's 6 x 8 ft glasshouse retails for \$535.

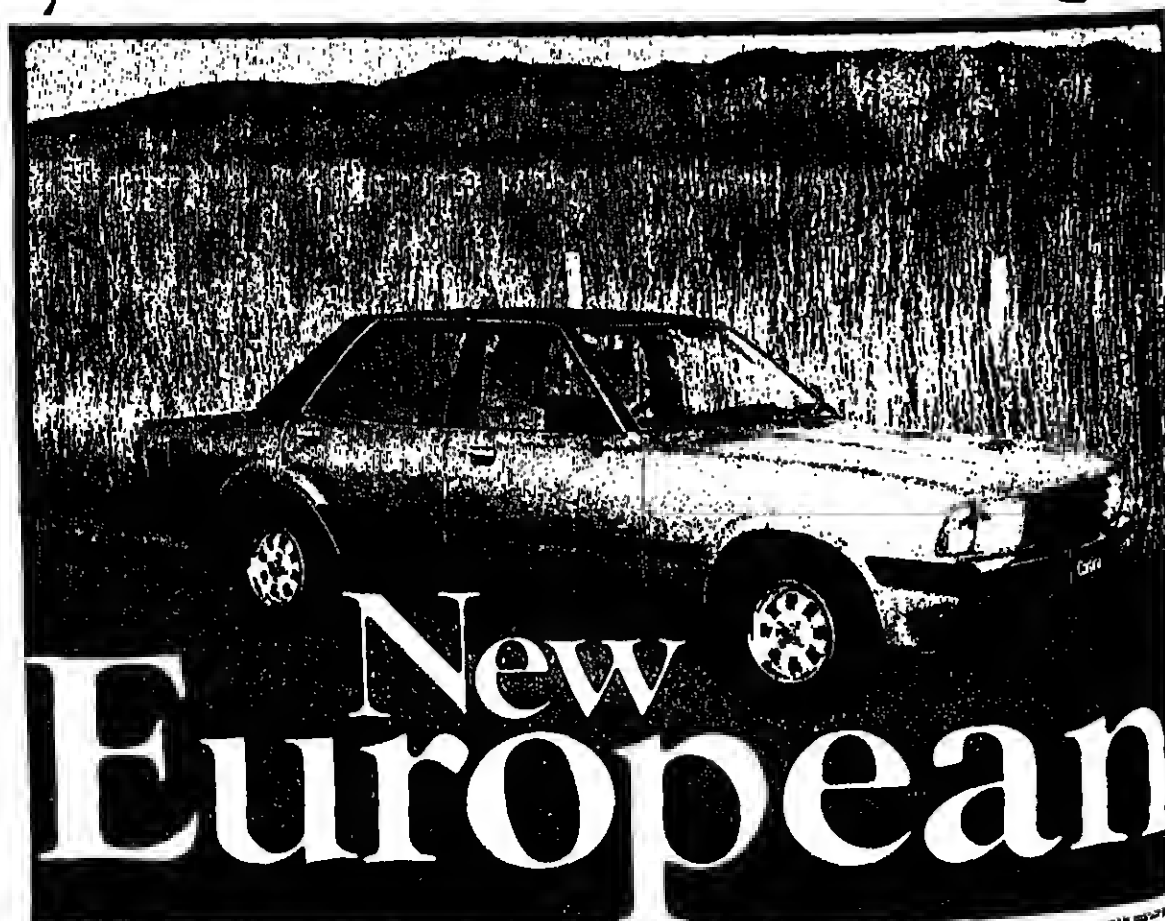
"We might have to put this price up to \$590," Johnstone said.

NHR telephoned Window Glass's marketing manager Anthony Pearce — author of the letter to customers — asking him for further clarification of the prices.

"It is a company policy that no-one can comment but the company chairman, Lyn Papps," Pearce said.

We tried to get Papps, but he just happened to be in a board meeting at Odlin's, one of the biggest glass distributors. It is understood some board members were highly critical of the price rise.

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DRIVE AHEAD WITH FORD

No time for discussion

PRIME Minister Rob Muldoon's announcement that the Budget would be presented this week allowed the press one week to analyse the economic trends.

There is one chance a year to see what the Government's intentions are for the economy written down in black and white — Budget night.

The Budget provides a benchmark for comparing the Government's actions against what it says it intends to accomplish. And if there is a

change in policy, the Government can be called upon to explain itself.

The public does not seem to realise that it can be hurt or benefited to a much larger extent by the direction of fiscal and monetary policy implied by the Budget.

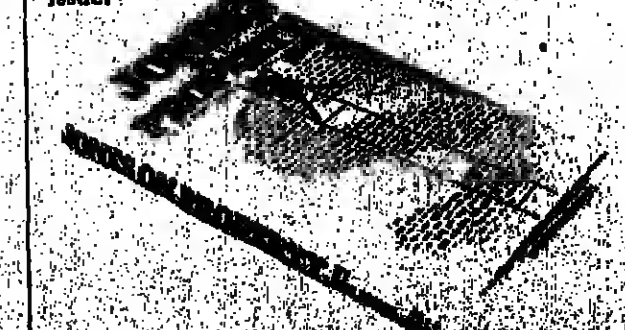
And they will never understand the relationships as long as the Prime Minister makes it impossible for a solid, informed discussion to take place on Budget night. — Economics Correspondent.

Bob Jones in April 1980:

"The current economic conditions for property investment... have never been better... in two decades"

A limited, fifth and final, edition of the best-selling *Jones on Property* is now available. Bob Jones' hard-hitting, funny, helpful guide to property investment/development in New Zealand, out of print for nearly two years, has been re-issued for those with an entrepreneurial flair who missed the book before. The text has been updated and in a new prologue Jones explains why we're on the verge of a new property boom. And how a penniless newcomer to the property business can become a millionaire before 1985.

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Young maintains that "personal interest" basically means "pecuniary" or "financial" interest. And knowledge of people is not personal interest, he argues in what ought to be a losing battle with semantics. The highly regarded constitutional authority S A de

The Fitzgerald application initially was rejected because Jim Fitzgerald had been a property development consultant for about five years and had not been actively working the land for the required 12 months. A review was considered at a meeting on January 23. A copy of the minutes says that Young advised he had received representations from Fitzgerald on the decision to decline his loan application for \$100,000 for refinancing and development. He agreed it was "a very unusual case." And he ventured his opinion that "the personal qualities of both Mr and Mrs Fitzgerald were quite high."

But that doesn't alter the questionable way in which the Minister earlier made known his views. And it would have been more prudent for Fitzgerald to have requested a review of the decision through the deputy chairman rather than put a personal friend in an awkward position.

A board which laddies out public lands is susceptible to currying favour, and the Marginal Lands Board appeal system clearly would be better structured to involve the involvement of a Cabinet Minister, not just a minister, as the Minister must always have to be onus of the political consequences of a decision. Even better, of course, would be a board which would be more effectively and more directly upholding the free-enterprise system, which is being shown by more-market advocates on the Government's backbench. If that thinking was taken to its logical conclusion, until the state kept out of the business arena, there would be no board at all, and the Government would be politically embarrassing resignations and possibly principled board appointments.

Bob!

It must, of course, be admitted that in view of the vast sums of money already invested in Maui, a plan has to be prepared for its use, but it is the pace of the development which is in question.

As a result of this, British industry has become increasingly unable to compete on foreign markets, the textile industry has largely disappeared, this was followed by shipbuilding, the steel industry is in frightful difficulties, and so is British Leyland, ancillary industries are also affected to

by Erich Geltinger

Although my analysis was published only a few weeks ago, already some of my predictions have come true, especially those relating to further increases in oil prices and to steps by oil producers to reduce production to prevent any levelling out of prices.

Another amateur of CNG is Harry Brill, Says he (May 12 1980 AD at Clmridge): "It stands to reason that CNG will show good results because it is a use of the gas as a direct premium fuel. It's *not* finding it worthwhile to convert to methanol, losing 40 per cent in the process and converting further to petrol using even more of the energy component of the gas - obviously then the direct use of CNG gives a very economic fuel".

What I would like to know is who would find it worthwhile to throw away half of a valuable energy resource to end up with a costly product which with proper planning should not be needed at all in 1985?

All indications are that our finite energy resources will only increase in value by being kept in the ground, and I would suggest a gradual development over 50 years. Projects such as the development of LNG gas and the piping of natural gas to such areas as Onclungha, are comparatively inexpensive and directly reduce the local demand for petroleum products.

The further development of the oil refinery at Whangarei will also dramatically reduce our oil bill, and one can well wonder why it was not commenced ten years ago.

There has been a substantial move away from this concept and just recently the textile and garment industries have been exposed to worldwide competition for many of their products without even adequate tariff protection. These industries date back to the earliest days of New Zealand and provide employment for many.

Inflation creates problems for every firm but the largest groups which can attract additional investment by shareholders, but without this injection of new capital, it is almost impossible to earn sufficient profits to pay for the cost of the replacement of stock and the purchase of new plant.

High interest rates make borrowing for development purposes increasingly less attractive.

One can well envisage a day when the very substantial industrial development, which has taken place in New Zealand behind protective barriers, has largely disappeared due to overseas competition for our small market.

We would be back to our farming industry progressively less competitive due to a firm dollar and the sale of methanol overseas for survival.

Before further commitments are made to develop our energy resources at vast costs, I should at least complete the projects for which our commitments have already been made and investigate whether there are other less expensive methods of becoming less dependent on the Arab

Sh. Jack Harris BT recently retired as chairman of the Blog Harris group.

No need, Rob is said to have rejoined — "I'm happy with the mind I've got."

FORMER Detective Inspector Bruce Hutton awarded a certificate of merit, the highest police award for "devotion to duty over many years and particularly for diligence and shown during the Grewe murder inquiry" in 1973.

"His meticulous care in preparing the file for prosecution, and the outstanding assistance he gave the Crown prosecutor during the trials, combined to bring a successful conclusion to an extremely difficult and arduous inquiry and was in accord with the highest traditions of the New Zealand police", said Commissioner Sir Angus Sharp.

Commission into the trials and convictions of Arthur Allan Thomas for the double murder in 1970, expressed concern at the police investigation.

He had expected, he said, that the officers engaged on the murder inquiry would be reliable men, but since the police evidence had begun to crumble, he had been a constant thrust to create the opposite impression.

Questioning Detective
fries, Mr Justice Taylor asked: "Why
testimony of the police being broken de
it concern you that the work you put
investigation is being made to look sh
incompetent".

Of course, the Royal Commission
has a long way to go yet - but we do tru
Angus drops in to testify.

In defending this target, Birch says that it could be reviewed "in light of changing circumstances." He has not apparently noticed that circumstances have already changed. With Saudi now at \$28, it goes without saying you and in September 1982, it goes to \$30 a barrel it will be 1988 on Birch's timetable — surely high time to review the targets of 1979.

Even at present prices any car with an annual

one hell of a draught. I offer four to one that if the smelters go through this winter, we will be burning gas to make electricity before the decade is out.

Let me finish with something that happened a long time ago. Once upon a time in the town of A in the suburb of E there sprang up a clinic that churned out abortions every day of the week at the wisdom men on the hill decided to put a stop to.

Being in Wallingford on Wellington' is holding dining at Maxime's special guests... v 'Windowa'.

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considerable savings on oil maintenance and replacement. By 1981 (AD not BC) CNG will be good investment for any vehicle that does 30 miles a year and has three years life left in it — it is the vast majority of North Island cars.

The time for a drastic upgradi of the conversion target is now, but this cannot be done unless a few hundred points of distribution are established without delay.

It may be that Birch disagrees with these conclusions. In that case let him present his own;

Dr Gehringer is author of *NBP's re-call of liquid fuel*, the Government's liquid fuels' policy.

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LICENSED RESTAURANT

Letters

Why support status quo?

BARNEY Sundstrum writes in support of the status quo in his article on the meat industry delicensing issue, in your issues of June 2. I would like to strongly disagree with his statements and show why delicensing is necessary.

In 1974 the cost of killing and processing a 14kg lamb was \$1.80. In 1979 this cost had risen to \$5.35. This is a compound average increase of 24.4 per cent per year.

The increase in market return over the same period was only 16.5 per cent per year. At this rate it can be calculated that by the year 2005 the killing and processing charges would take up the entire sales value of the lamb.

The March 1980 figures are better because the EEC food price increases had pushed up lamb prices.

Killing and processing charges were up by 18.5 per cent to \$6.34 per 14kg lamb. The market price rose by 27 per cent. The return to the farmer was an extra \$1.20, which is approximately 8 per cent more than he received in 1979. As farm costs had increased by 23 per cent over the same period the farmer sustained a loss of 15 per cent in real terms.

Agriculture could provide the means of reducing this country's deficit but only if the farmer gets a fair price for his product. The only way to increase the farmers' profit is to increase efficiency in all areas, not cost compensate by more subsidies.

Mr Sundstrum argues that more freezing works being built would provide a surplus of killing space and that this would increase costs. This statement has been proved wrong. In the beef-processing area, where there was a surplus of killing space, competition has created lower killing charges.

For example: In AFF Co it costs farmers \$91.22 to kill and process a beef cow, which is 64 per cent more than at Pacific Freezing in Hawkes Bay where the cost is \$55.40. The Whakatipu Works of Hawkes Bay Farmers and the Tairāwhiti Works of W R Fletcher charge \$61 for a comparable beast. The reduction in the beef herd and the resulting extra killing space (by accident rather than design) has led to pressure on the freezing industry to shape up or ship out.

If it is possible for Pacific to kill beef for \$55.40 a head it should be possible for others to do the same. There were 442,000 cows killed in this country last year, a saving of \$30 per head would have amounted to \$13.2 million countrywide, \$13.2 million which could have been invested in extra production.

Mr Sundstrum states that 50 per cent of costs in freezing works are fixed or semi fixed, and that the only way to improve profits is to extend the season. This is a status quo mentality which I cannot accept as an acceptable business attitude. The reasons why the meat industry has not changed their methods to reduce cost increases are, I believe, because of:

(1) The inability of management and labour to agree on improved methods without a buying off of the innovation in extra costs. There are many agreements which reduce management's opportunity to reduce costs — such as manning scale quoms, anti-shift work timules. New hygiene

regulations have compounded this situation.

(2) In normal seasons most works know that the stock will eventually arrive on their doorstep because loyal farmers will stick to their old buyer knowing that when the going gets tough he will give them space. This is changing and the pressure of competition has led to efficient operations being able to get a larger and larger share of the kill of beef and sheep.

The differentials of \$0.98 per sheep and \$30 for beef in Hawke's Bay are the result of competition and efficiency in spite of transport costs. The cost reduction in these works is due to two factors: lower manning scales and therefore higher daily throughput per man.

Companies assure me that it is not necessarily the length of the season that determines profit. The real profit is made by the ability to gear up to provide a high throughput at the peak. If a company can achieve a 15 per cent better throughput per chain, with the same fixed costs, for the three month peak than other works, they can sustain a shorter season and reduce their fixed costs.

Forcing farmers to supply stock all year round will only transfer the cost to the farmer in extra feed requirement.

Farming systems are changing to lengthen the killing season but there can always be a crisis due to drought or disaster.

Opponents of delicensing suggest that because the meat industry is a service industry it should remain expensive and in some cases stultified. The inevitable result will be: more subsidies to farmers, higher taxes and in the end an un-economic industry.

All must accept change — the farmer, the meat processor and the government. Quite clearly central planning and direction has had its day.

Meat companies, within the constraint of fair trading and merger or monopoly legislation, should look forward to the opportunity to make their own economic and marketing decisions. Delicensing will provide this opportunity.

John Falloon
MP for Pakitatus

Consulting Progress

I WISH Rae Mazengarb had checked her facts before telling your readers that I "had failed to make further contact with members (of the Progress group of road carriers) or their lawyer" (NBR June 16).

I have in fact been in touch twice since our meeting with their lawyer, Bruce Grierson, indicating that I proposed to consider their points very carefully, and to discuss them with my Ministerial colleagues.

That is being done and I trust Progress, who have made use at their own timing of the process of consultation, will permit Ministers the same right.

Hugh Templeton
Deputy Minister of Finance

Brookie bashings

I WISH to record my feelings of utter contempt and disgust of the recent cartoon by Brookie of Mr Dall Jones MP (NBR June 9).

Mr Jones is a God-fearing Christian making every effort to see that this country does not slide backwards into a post-Roman swirl of immorality.

The sly reference to Patricia Bartlett did not go unnoticed. It is not the first time your magazine has made snide remarks about her.

May I suggest that Mr Brookie put his talents to better use.

Members of my staff and several associates who read your magazine were disgusted with the cartoon, specially the last line.

It is my intention to cancel my subscription if there is any further "bashings" of those people, who are at least trying to do something positive to uplift the mind of the average New Zealander. An exercise that Mr Brookie's mind is lacking.

Charles F Donoghue
Auckland

Suspicion of a princess

THAT was a nice, well-reasoned leader of yours (NBR,

June 9) over Death of a Princess.

Arab experts and others in the British Press have been virtually unanimous in condemning the sensationalism and basic untruths in this fictionalised pseudo-documentary. Among the most strident has been *Private Eye*, which to put it mildly has had some fairly scurrilous things to say about the film-maker involved, with no sign of any writs to date — at least that I'm aware of.

What concerns me about the issue are the strident and misguided calls for free speech that appear to be successfully clouding the issue. If this was a reasonable, accurate film of real worth, it most certainly should be shown here.

But with its highly suspect credentials, the film becomes simply a television curiosity, and leads to a danger that any load of old rubbish should be served up on television here,

simply because it is controversial. To hell with the facts, and the consequences.

Terence Hall
Wellington.

Indigenous forest policy

THANK you for the Rev John Howell's study: "Indigenous forest review — protracted, repeated, edited and finally overridden." (NBR June 9).

There could be no better example of the cosmetic force that is the Government's indigenous forest policy.

To me, the steward (the Forest Service) has at last begun to inquire of the runners (the public) what they want done with their forests — providing they want what the steward wants. Even the far from extreme Royal Forest and Bird Protection Society, according to its latest annual report, became so disillusioned with the action of the Forest Service in jumping the gun at Whirin-

aki (to get what it knew it would get anyway) that it withdrew its original advocacy for a Forest Park and gave its full support for National Park stations.

How much longer can we afford the luxury of the present Ministerial triumvirate of Forests, Lands and Environment? Eric Bennett
Wellington

Childish cartoon

I AM writing to chide you on your poor choice of cartoon on Page 8 (NBR, June 16).

I am surprised and offended that New Zealand's leading business journal should lower itself to such sexist and childish material.

I trust that such an oversight will not occur again, and indeed that NBR will start to offer more positive editorial work on women in business.

Catherine A Smith
Auckland.

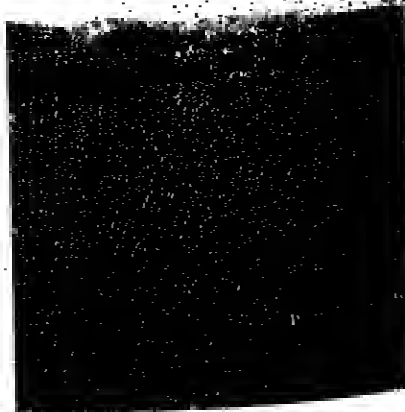
More letters on Page 22.

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Politics

When to intervene and when not to intervene

by Colin James

RESIGN, resign, the Opposition was chanting with gleeful anticipation as this column went to the printer. Decent, unassuming, unscheming, even Young, just remarried, was the cue.

His mistake had been to intervene — the Marginal Lands Board to reconsider a rejected application by Andrew and Jim Fitzgerald for special state finance to help them on their new farm.

Nothing special in that. Except that the Fitzgeralds are daughter and son-in-law to Young's old mate Duncan Macintyre.

There is no reason why Young, as chairman of the Marginal Lands Board, should have passed on to the board without comment the facts supporting a review of

their ease. But endorsement was unwise. More serious was his apparent presence at meetings when the Fitzgeralds were discussed.

As a "personal friend" (his words), he seems on the fact of it, according to the textbooks, arguably to have had a "personal interest" sufficient to require him to absent himself under section 8 of the Act.

If this view is correct, then (in countries where such barbaric rituals are still practised) it would be the stuff of resignation, no matter how honourable Young's motives doubtlessly were. Good intentions do not make up for bad judgment.

Much was still to unfold as I wrote this, so judgment could not be entered.

But there is a point to be made: Young intervened. The Marginal Lands Board

is an interventionist device to help struggling land-improvers. Had non-interventionism reigned, it would not have been set up and Young would not have been chairman of it and could not have intervened on the Fitzgeralds' behalf.

But non-interventionism — that is getting the state out of people's lives, the National Party new breed's political raison d'être — is not yet a universal creed.

Merv Wellington last week intervened to stop teachers taking a working hours case to arbitration — a sort of little brother's imitation of the Prime Minister's kishosh on Arbitration Court general wage orders last year.

You may not see immediately how arbitrary intervention of this sort reinforces Government pleas for unions to clean up the rolls and get qualified electors on them.

That is probably because you don't understand the simple and sensible preconditions of arbitration — that you take there only cases the Government approves or, at least, is prepared to tolerate for some reason.

For instance, Jim Boomer's indexation case for his engineers may be vexing, but the Government is counting on his being able to deliver an agreement which will get the big energy plants up with a minimum of fuss.

So, while the non-interventionists have been hating away on other fronts, the interventionists have been winning in industrial relations.

And on electoral matters. The National Government used to be non-interventionist. It took the line that voting is a privilege and you deserve

the vote only if you make the effort to get on the roll.

That line was wrong. Under the Electoral Act it is an offence not to apply for enrolment and not to notify changes of address once enrolled. You can be fined up to \$50.

Parliament clearly intended enrolment to be a duty — of the elector in the first instance, to be sure, but in the last resort to be enforced by the state.

Since the Electoral Act is all about voting, it is logical to assume compulsory enrolment is intended to encourage the widest practicable franchise.

And, since National was in power when the Electoral Act was passed in 1956 and has not used its majority since to repeal compulsory enrolment, it is hard to escape the conclusion that National politicians should begin to regard voting as a right — and one to be made possible not just by the elector but also by the state.

In simple language, the Government has a duty under the Electoral Act to help ensure those people qualified to vote are able to if they want to.

Trying to prosecute the thousands who don't enrol or don't notify address changes would probably fail through difficulty of proof.

So it comes down to encouragement. And the Government is at last moving.

Non-intervention did not work. In the short term it might have, in that those less likely to get on the roll were more likely to vote Labour — so helping National.

But in the longer term the unsatisfactory rolls in 1978, in 1979 in Christchurch Central and a few weeks ago in Onongunga and Northern Maori, have given the Labour Party the chance to make extravagant claims about disenfranchising voters.

Jim Anderson's phrase last week: "electoral apartheid".

In the hands of an aggressive needer like Anderson, imperfect rolls are political hay. No matter what Justice Minister Jim McLay says after the event, Anderson can trade on the 1978 shambles to build up and leave lingering suspicions that the Government is not doing its utmost to ensure democratic elections.

The corrosive effect of this sort of suspicion is obvious.

So McLay — having watched from the back benches the disastrous non-interventionist policy of his predecessor, David Thomson, in 1978 — has turned interventionist against his own grain.

He is spending \$7.5 million

to clean up the rolls and get qualified electors on them.

For one thing, he has started a write-out programme in those people who found they were not on the rolls in Northern Maori and Onongunga when they went to vote — sending them enrolment cards and inviting them to do something about their disenfranchised status.

Beyond that, he has an 18-month programme that he has been expounding both in Parliament and out.

He is not likely to succeed in outflanking the Labour Party — partly because of past suspicions and partly because it is impossible to get absolutely unimpeachable rolls, even if he sent canvassers personally to every house periodically, which he is not prepared to do.

So Labour may still be able to make some capital out of the rolls in 1981.

This is especially so with the Maori seats.

On a start, McLay will not allow until 1982 a new exercise of the "Maori option", the Labour innovation in 1975 which contributed heavily to the appalling state of the Maori rolls in 1978.

The reason a new Maori option exercised on known general electorate boundaries would give opportunities for Maori living within the boundaries of marginal seats to shift from the Maori roll to the general roll to help Labour win.

But in any case the huge, scattered Maori seats defy effective organisation, except perhaps, by the Maori themselves.

So why have the seats if they are such a nuisance, the country seems to be asking.

Questions asked by Heylen polls for the Auckland Star found more than half of Pakehas and just under half of Maoris in favour of abolishing them.

The results need to be treated with care. Two-fifths of Pakehas and just under half of Maoris want them retained. And the Maori figures are dubious, since only about 40 Maoris were interviewed, none of them rural Maoris.

Maori politics are in transition. Not in the direction represented by the Ben Couches, Rex Austins and Winston Peters of this world — but towards a stronger assertion of Maori methods and values.

Removal of the Maori seats would make it harder to accommodate that change within the parliamentary system, and thus create strains elsewhere. Intervention on behalf of Maoris is still probably necessary.

THE Onehunga by-election tallies with the Heylen-National Business Review poll taken the same day.

On the final Onehunga results, National dropped from 39.46 per cent of the valid vote in 1978 to 39.24 per cent and Labour rose from 47.00 per cent to 48.11 per cent — giving a swing to Labour of about 0.7 per cent.

Social Credit dropped from 11.35 per cent to 11.29 per cent.

The Heylen-NBR poll taken the same day gave National 40.6 per cent, Labour

38.7 per cent and Social Credit 19.5 per cent. Compared with the Heylen poll taken one week before the 1978 election, these figures represented a 1.1 per cent swing to National and on exact standsstill for Social Credit.

These findings are close enough, given the 3 per cent statistical maximum margin of error in the poll, to be regarded as confirming each other as indicators of mid-term surface political opinion.

It is still too early, however, to be sure of long-term trends.

Onehunga indicator

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Economics

Researchers dig beneath Government energy plan

Economics Correspondent

THIS National Government has made much of its efforts to curtail public spending. But while it may have been successful in reducing the rate of spending growth in areas such as health and education, it is in danger of committing itself to annually subsidising multinational energy developers to the tune of \$50 million.

In a carefully researched report released the other day, *Electricity in New Zealand: is there a surplus to sell?* Geoffrey Bertram and Keith Johnston of the Development Information Group (DIG) argue that the only electricity surplus exists in the South Island and this will have shrunk dramatically by 1992/93.

The Government's plans to sell annually as much as 5000 gigawatts (a gigawatt - GWh - provides the power to run 10,000 million light bulbs) is enormously in excess of even the peak South Island surplus, which DIG claims will never rise above 2300 Gwh in any year this century.

To meet its commitments, the Government will have to produce energy by burning imported oil or by building a series of new electricity stations, or both.

So although it is cheap for the Government to supply up to 5000 Gwh of power now, as we move from surplus hydro-electricity into the generation of power from new hydro and oil or coal-fired stations, the cost will rise sharply.

If the increased cost of providing energy is not written into the contracts with industrial energy purchasers, it will have to be met by a subsidy financed by the community.

To measure what these additional costs might be, the DIG report introduces the economic concept of marginal cost. This is the extra expenditure which the New Zealand Electricity Department must incur in order to supply extra power. If new users of electricity pay a price for their power which exactly covers this marginal cost, then existing consumers are left no better off and no worse off than they were before.

So far as existing generating stations are concerned, this means that the existing purchasers of power continue, as before, to pay the full capital charges (interest and depreciation) on these plants. The new consumers pay only the extra operating costs involved in producing more power from the stations.

"Where new power stations must be built to supply the new consumers, the full construction costs, as well as the operating costs of these stations, must be charged to the new bulk purchasers. If these costs are not met by the users of the power, then they will fall on some other section of the community. It is likely that either extra taxes will be put towards meeting these costs or the electricity price to local consumers will be increased."

The DIG report states that "once calculated, the marginal cost of power gives the minimum that should be charged to new users when the Government negotiates contracts for long-term sales. Selling electricity at marginal cost confers no benefit locally because consumers continue to pay the same price as before and the NZED will not make any profit from sales priced to cover marginal costs."

And DIG concludes: "The marginal cost is not the price we should aim for in negotiations - it is the absolute minimum below which we cannot afford to go." Sales of power at marginal cost can be justified if there are no other potential buyers willing to pay a higher price for any of the power or if there is some net benefit to

New Zealand other than income from electricity sales (since the net income from those sales is zero).

Having established the method and application of marginal pricing, the authors dig behind NZED statistics to measure just what the marginal cost of supply 5000 Gwh might be.

They find that "during the next 10 years, we are capable of supplying this extra electricity at a cost below 1c a unit. Between 1990 and 1995, however, the cost rises to about 3c a unit. This escalation is over and above any inflation that may occur since these calculations are in 1980 dollars."

If the Government makes long-term contracts to sell energy at the price it can afford now without an escalation clause to keep pace with the rise in the true cost of power, future losses on its power sales could dwarf any early gains. Bertram and Johnston estimate that these losses could easily reach \$50,000 million annually.

In other words, more public money would go to help multinational energy developers to finance profit-making activities than is spent annually to lower the consumer price of milk. Or education spending would have to be reduced by

about 5 per cent if the Government chose to provide electricity subsidies through cuts in education spending.

Looking particularly at aluminium smelting companies, the DIG report suggests that they would be delighted to obtain power at the sort of price electricity can be provided in the mid-1980s, "but there is not the faintest possibility of persuading them to commit themselves to pay what their power will cost to produce in the 1990s."

"In a world where other countries are signing long-term contracts to supply aluminium smelters with power at 1.5c a unit with no escalation, New Zealand cannot afford to offer long-term electricity supply contracts at a price that could be attractive to aluminium smelting companies."

And Bertram and Johnston are suspicious that the Government is secretly offering aluminium smelting companies a price which, as a community, cannot afford. If the price is below the long-run marginal cost of producing electricity, then the burden of proof is on the Government to show that the other benefits from the companies make it worthwhile for the local com-

muner to subsidise their activities.

In a speech to the Pacific Basin Economic Council in May, Associate Minister of Finance, Derek Quigley said: "The Government is well aware of the need to set economic prices for electricity sales to such projects."

But Quigley foreshadows a different approach by the Government to this issue than that developed by the DIG report. "Electricity supplies currently available to us represent a substantial resource which we can and should put to the best use for our industrial development."

"Provided always that the terms are right, aluminium smelting highlights the range of benefits which foreign investment can provide. The main benefits occur in the downstream processing industries which the smelter would make possible, in the indirect jobs created in the engineering and services sector, in the export earnings which would ease our balance of payments constraint and in the tax returns to Government."

In another carefully researched paper released earlier this year, economist Paul van

Continued on Page 14

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SCRP 102

Commission's new approach to consensus law

THE Securities Commission hearings last week on the proposed securities regulations were a new approach to consensus lawmaking.

The Commission received submissions from 60 parties and arranged to hear 13, including the major financial "trade organisations" (Finance Houses Assn, Stock Exchange Assn, Bankers Assn, Retailers Federation, and the Merchant Banks Assn).

The hearings differed from the hearing of a Parliamentary select committee on a bill for two reasons.

First, they were much more informal. Second, while the Commission had advisers present to cover legal and accounting drafting points, the advisers operated in a different manner from public servants sitting in on a select committee, in that they took a fairly active part in the discussions.

There was another fundamental difference, but that goes back to publication of draft regulations.

A select committee considers a bill after it has been introduced to Parliament and given a first reading. Most regulations are drafted in a particular department, with the assistance of the law draftsman's office, and circulated to interested parties for comment although some prior discussion with those parties has probably taken place.

The Securities Commission issued its own draft regulations with a lengthy background paper. It called for submissions and then held hearings.

The Commission gave undertakings last week to review particular aspects of the regulations, and in some cases either deleted a provision on the spot, or accepted the alteration from a witness.

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses company accounts.

The Commission will prepare a second draft and circulate that for comment, before sending the final regulations to Justice Minister Jim McLay for consideration and probable gazetting.

The procedures emphasised two points in regard to the Commission's work in tightening and rationalising securities law.

The members, although not perhaps fully conversant with the finer details of particular businesses or industries, are well qualified in law, commerce, accountancy and industry.

Consequently they can see the problems inherent in various provisions much more

readily than members of Parliament in a select committee, unless the committee is dealing with an extraordinary specialised issue, and has equally extraordinary special knowledge.

The second point was the complexity of modern industry and finance, particularly the latter. That can be overlooked when people decide to make glib judgments on what should be done to overcome a problem. The "solution" to the problem can give rise to more problems which make the solution unworkable.

One is reminded of the Road Charges Bill in this context. The discussion on that Bill gave rise to the immortal comment

that it would be amended after becoming law, because it was impossible to get things right first time up.

The Securities Commission seems determined to get things right (or as right as possible) before anyone is saddled with gazetted regulations. (But it is also prepared to shoot holes in arguments if that is necessary).

The Finance Houses Association provided an excellent practical problem in the area of distinguishing between secured and unsecured loans to borrowers.

The draft regulations proposed that a prospectus should reveal, in relation to "amounts receivable" in the accounts, a statement of the proportion advanced on both a secured and unsecured basis.

The Association quoted the example of a finance house which offered an accountant Forest Products unsecured commercial bills in a particular deal. Another organisation (would you believe the lamented Securibank?) offered the same potential client "secured" assets of a small, little known business, and allegedly claimed that their offer was better, because the bills were "unsecured".

The submission of Auckland investment group, Reeves Moses Hudig and Co, raised the question of people in existing property syndicates, operating under the Syndicates Act, who wished to quit their investment. Under the proposed regulations (which may inadvertently have overlooked this specialised problem), a prospectus may be needed at an

expense out of proportion to the size of the investment.

The Commission undertook to look at this. Chairman Colin Patterson commented: "We may have to write a little chapter on property syndicates".

Other examples of detailed problems arose, and the Commission regularly expressed willingness to find solutions without destroying the broad scope of the regulations.

There was widespread disapproval of the proposed requirement for directors to reveal future corporate plans and forecasts of changes in financial position in the ensuing year.

Investors may find it desirable to have such information, but in practice it seems (according to submissions) that directors would cover themselves in such vague language that the result could be farcical.

The thrust of some submissions was that confidentiality was that confidentiality and competition outweighed the need for such disclosure, and that either disclosure or the likely vagueness, could work against the investor's interests in those circumstances.

The Commission's second draft will be waited with interest, as will the final regulations.

Whatever the outcome, the hearings made one thing clear. The Securities Commission commands high respect in the commercial and financial community. They do not bestow respect readily, but the Commission's work in its short life has entitled it to that reception.

Brierley provides surprise

BRIERLEY Investments Ltd can be relied on to come up with the unexpected.

The company announced last week that it is making an issue of \$3 million worth of specified preference shares of \$1 each, redeemable at par after three, five, seven or ten years, at a dividend rate of 16.75 per cent a year for all terms.

The investor is to nominate the repayment date at the time he applies for shares.

The issue is unusual on two grounds. First, it is made to the public at large, rather than to existing shareholders, although one million shares have been reserved for them. Some Brierley shareholders may criticise that point, but they are called on regularly to subscribe to cash issues (usually on terms which provide good rights trading, and subsequently receive a bonus issue) and that has raised the odd criticism at annual meetings.

The company may feel that an offer to "the world at large" (subject to the one million reservations) is a better method of raising the necessary funds. A specified preference share issue has attraction to institutions, due to their tax situation, rather than to existing shareholders, who will have to pay tax on the dividend (although the payment is tax deductible by Brierley).

Existing shareholders receive dividend payments with a tax free element, which, depending on the average cost of their holdings and their marginal tax rates, may result in a better return than the current issue, even with its attractive dividend rate.

And that raises the second point. Brierley is offering a



payment which is the highest from any public company, for this type of security, and which also tops the highest debenture rate available on the market.

It is 0.75 per cent above the Challenge specified preference rate — which convert to ordinary — and 1.25 per cent higher than that company's debenture rate. The latter was offered on \$17 million worth of stock, and the issue was oversubscribed in four weeks.

The Brierley issue may be filled by the time this issue of NBR appears, and there could be an opportunity to make some money when the specified preference shares are listed on the Stock Exchange. The market is likely to lower the dividend yield, judging by the present range of yields on such securities. That will push up the price.

Brierley has always been able to offer rates ahead of the market for two reasons. The group has a high earning rate, through its various activities, which include the realisation of assets as a normal part of business.

Analysing annual accounts: Farmers Trading Ltd

THE Farmers' Trading Co Ltd, New Zealand's largest retail organisation, did well in the year to March 31, to lift profit to 185 per cent of sales, compared with 174 per cent in 1979.

We presume it did so by holding expenses. The "assumption" is made because the company fails to give any breakdown of its expenses apart from the statutory disclosure of audit fees, interest costs, directors fees and so on. The company earned \$5.5 million on retail sales of \$142.4 million, so shareholders might have some interest in where the other \$137 million went.

Failure to give the figures in a summary of such size has an amusing sideline in the comments of Chairman Rawdon Busfield.

Referring to the proposed securities regulations (on which the Securities Commission was holding hearings last week) Busfield says: "It is, therefore, most disappointing to find that their proposed regulations could result in major companies having to produce bulky prospectuses containing large quantities of information much of which would add little to an investment decision based on the annual published accounts."

"It is to be hoped that the requirements finally adopted will be somewhat more realistic."

Busfield may be even more disappointed to learn that submissions to the Commission include the suggestion that companies should disclose a summary of the expenses incurred in reaching pre-tax profit.



Rawdon Busfield... regulation proposal disappoints

Whether the Commission accepts that view is immaterial. Other large companies provide the information, and manage to survive without suffering, while their shareholders are better informed of the relationship of profit to turnover.

The group continued its history of financial strength. Shareholders funds increased \$3.6 million to \$47 million, and the net asset backing per share went from \$1.99 to \$2.17 for each 50 cents share. There were several movements in the company's funds over the year, but the final result was a slightly lower proprietorship ratio (shareholders funds to total assets), at 53.3 per cent compared with 54.9 per cent in the previous year.

The alteration is insignificant when related to total assets of \$88.3 million (\$79.2 million in 1979).

Given the difficult trading condition of the past 12 months,

the company maintained its finances at a good level.

Indebtedness to the bank moved up \$3.15 million to \$4.35 million, but Farmers repaid an overseas loan of \$2.5 million during the year, the balance of the higher overdraft apparently being used to finance the ongoing business.

There is sense in replacing overseas loans with local finance as soon as possible, a point which many companies have taken this year.

The inclusion of inflation adjusted accounts would help to explain other changes in balance sheet items. In the absence of a CCA statement, we can only guess at the pressure of inflation on money requirements, inventories, debtors and other balance sheet entries.

Inventories were about \$6 million higher at \$38.4 million, and at balance date represented 43.5 per cent of total assets, as

against 41 per cent in 1979.

The company's sales were up (whether through a higher volume of business or inflation does not matter), and there is always a growing stock requirement as a retail business develops.

Add in the effects of inflation on replenishing stocks, and the increase is reasonable.

There was a similar movement in trade debtors, after allowance for deferred profit on time payment transactions (Farmers has a considerable volume of business in time payment sales).

Net trade debtors went from \$21.2 million to \$25 million, while the deferred profit rose \$1 million to \$7,966,260.

The latter amount represents future profit for the company, and should assist profitability in the current term, assuming that a substantial part of the increase falls into the 1980-81

valuation of land and buildings is \$22.6 million, compared with a book value of \$17 million.

The additional \$5.6 million would, if added into the reserves, give another 28 cents of asset backing for each 50 cents share, before taking specified preference shares into account.

The company improved its relationship of cash flow to total assets between 1979 and 1980. The figure (net profit plus depreciation expressed as a percentage of total assets) rose from 7.18 per cent to 7.61 per cent.

That was a good performance, given the sluggish rate of retailing in the early part of the financial year.

Retail sales are improving (subject to whatever happens in the budget), so it will be interesting to see whether Farmers can improve its ratio again this year.

An examination of fixed assets shows that group shareholders funds, and net asset backing, is higher than the figures disclosed in the balance sheet. The notes to the accounts say that the latest government

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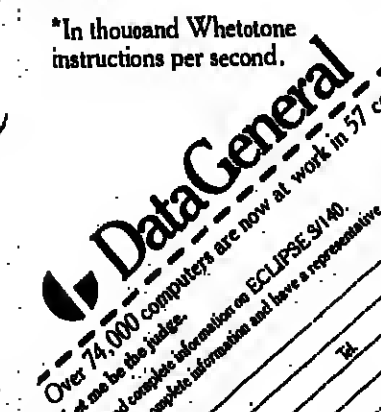
weekly review

last year had the reverse result. Underwriting income of \$7.6 million compared with investment worth \$6.1 million. The figures were the other way around in 1979, when underwriting income totalled \$1.6 million, and investments contributed \$5.8 million.

It would be interesting to know whether the State Insurance Office comes within Robert Muldoon's classification of "passive investor."

There was an amount of \$16.8 million included in investments at December 31 relating to shares in companies. The assessed value was \$20 million at balance date, giving a margin of almost 25 per cent above cost.

State Insurance is not a financial office, so there is no pressure to perform for policy holders in terms of higher bonuses each year to keep up with inflation. It could therefore be "passive" without much trouble and

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Govt lays out line industry programme

by Rae Mazengarb

SUBJECT only to minor alterations, the Government has accepted the Industries Development Commission's recommendations on the twine and cordage industries.

Industry groups were still evaluating the decisions last week, but there are signs that some at least will feel they have not got what they wanted.

Part of the Textile Industry Development Plan 1976-86, the cordage industry will be regarded as an area which does not require "special" encouragement, but a high proportion of local content will be encouraged.

Announcing the decisions, Trade and Industry Minister Lance Adams-Schneider said: "The main aim is to set the climate for future development, to allow for future rationalisation with Australia and

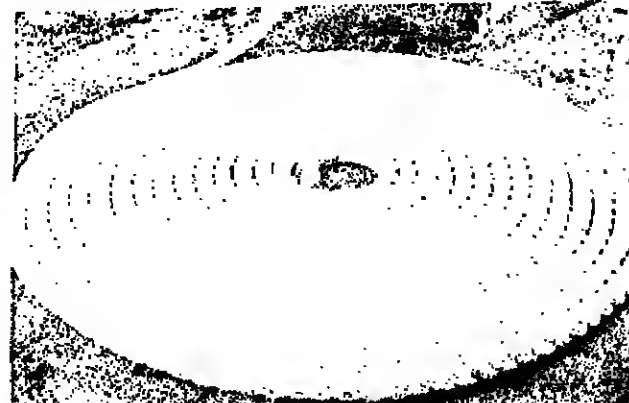
to service the domestic market efficiently."

He said the sacks, bags and cordage industries were an area "which should not receive special assistance" but were expected to continue with "reasonable protection and as high a proportion of local content as possible".

The reports recognised that the present industries were "good performers", he said, and there was no need for major changes.

No positions would be at risk through any of the commission's recommendations.

Those who made submissions to the IDC or appeared as witnesses included rope manufacturers Donaghys Industries Ltd and Felix New Zealand Limited; the New Zealand Fishing Industry Board; the New Zealand



Cordage... to continue with "reasonable protection and as high a proportion of local content as possible"

Federation of Commercial Fishermen; Southland Fishermen's Cooperative and Federated Farmers of New Zealand.

Letters of support for local cordage manufacturers were received from the Venetian Blind Manufacturers Federation and the Otago Council Incorporated of Dunedin.

The industry has been highly protected from import competition, except for the highly specialised mountain climbing rope.

Fishermen have continually complained that the licensing

controls prevented the fishing industry from being able to evaluate the different qualities of overseas-produced ropes. Many, too, have complained about the high cost of the local product.

Southland fishermen particularly wanted to import their own rope because of the rough sea conditions in the South.

Past representations to Government by crayfishermen led to some import licences being granted for the Korean-made Manho product, which a DSIR test last year showed to be stronger than the local equivalent, Donlene.

The crayfishermen claimed the local product was not only more expensive, but not strong enough to hold the cray pots. But the manufacturers of Donlene, Donaghys, said further imports would jeopardise its attempts to develop a

stronger and longer lasting rope.

Because of the import controls, there have been reports of fishermen being involved in "deals over the decks" to obtain ropes from Korean fishing vessels.

Industry groups have denied this, but have admitted that the advent of joint fishing ventures provided fishermen with an indication of the wide variety of ropes available overseas.

The manufacturers, on the other hand, suggested—before the Government decision—that if overseas products flooded the local market, local manufacture would be "decimated".

If local manufacturers were forced to close, the fishing industry would be dependent on overseas producers who could then charge any price they wanted, they argued.

The IDC took a middle line, agreeing that generally there was satisfaction with locally-produced rope—aside from the Donlene alternative to Manho—and that the cordage industry should "receive encouragement".

But it recommended a liberal import licensing policy for twine and cordage of kinds made in New Zealand "and to cover any shortfall which might occur because of insufficient domestic manufacture subject to proof of need and non-availability of a suitable local alternative".

And it recommended that further import licences—exceeding \$400,000—be made available to permit the importation of goods directly competitive with the local product.

Accepting those submissions, and to correct an anomaly that has irritated local fishermen, the Government has also accepted the IDC recommendation to free imports of fishing lines, twines and netting.

"Fishing lines or twines under 4mm diameter and flat braided netting twines between 4mm and 8mm diameter suitable for use in the repair of fishing nets, when declared for supply to commercial fishermen for use in repairing nets made of identical materials have been approved for admission free of duty.

The Government has also agreed to take some goods such as twine and cordage subject to fishing lines or in the manufacture of nets and netting—approved by the Minister of Customs—off licence. It should please fishermen who wanted to ensure a ready supply of both line for long line fishing, and twine for mending nets.

Donaghys managing director Nat Craig was unavailable for comment before we went to press, but industry sources suggested the company would be happy with the decision.

Southland Fishermen's Coop Manager Ken Teasdale said that until the decision had been studied in detail, he could not comment. But he said Southland fishermen wanted to import rope strong enough to cope with some of the "rough" sea conditions in the county. With crayfish pots costing between \$100 and \$150 apiece, rope was a vital factor, he said.

Ray Poirson, of the Federation of Commercial Fishermen, said he was still trying to simulate the decisions, but it appeared "we haven't got a far," he said.

Computers put quarter of a million out of work

A STUDY of the impact of computers upon Australian industry and commerce, conducted by the Foundation for Australian Resources, has established that some 244,000 jobs have been displaced by computers in the past 20 years.

The foundation is a non-profit organisation funded by industry; its members are principally senior executives and academics.

In arriving at this assessment the foundation says it has used conservative measures of job losses and the figure could be as high as 300,000.

To arrive at these estimates the investigators took the work

throughput of a standard small computer, costing about \$A20,000, and equated it with the work done by a number of people on normal office duties, for which there are well established figures. The investigators then determined the number of computers in Australia, their size, configuration and price, and related these findings to the standard computer, to arrive at a total manpower equivalent.

The research was co-ordinated by Dr Barry Thornton, computer consultant to the United States Airforce and the Boeing Corporation. He said the number of people actually put out of work by computers in Australia was about 24,000 or one in 10 of the jobs displaced;

the remainder represented lost opportunities, jobs that would have been available had there been no computers.

Despite these figures, he said, it was difficult to determine the overall impact that computers had made on employment because it had proved impossible to ascertain with any accuracy whether persons displaced by computers had found work elsewhere.

To an extent the loss of jobs had been countered by jobs created by computers. Thornton said the number of jobs created by computers can be fairly accurately assessed—at about 77,000, mainly higher level jobs in the computer in-

dustry itself and associated industries.

He suggested that the contrast of 77,000 jobs created with 244,000 jobs displaced rather demolished the myth that computers created more jobs than are lost. An earlier survey by the foundation in 1975 had put the total job displacement at 208,000.

The foundation's current study also discovered that Australia is still about 50 per cent under-computerised

which may well mean an even greater loss of jobs in the future. But again this is a difficult area in which to forecast the impact of computers on those sectors that are under-computerised, such as manufacturing, transport and communications.

The Government-funded Myers committee on technological change in Australia has encountered reluctance on the part of private manufacturers to provide information on proposed technological changes. Private enterprise has made relatively little contribution to the Myers Committee report simply because it cannot afford to release its competitors confidential information on new technology it is about to introduce.

For this reason the draft copy of the Myers report, it is said, leaves largely unanswered the question of what impact computers are likely to have on Australia's manufacturing industries as distinct from office data processing. For the same

reason the report has little to say on the effect of computers on the employment of women since private enterprise employs a great many women.

The Myers inquiry draft report has been criticised by some unions as altogether failing to address itself to the problem of computers and long term unemployment while supporting the introduction of new technology.

In turn the unions' own submissions to the Myers inquiry have been attacked by a leading British economist, Dr Peter Stubbs of Manchester University, as an indiscriminate patchwork of tendentious examples expressing "the pathological trade union syndrome of overbidding".

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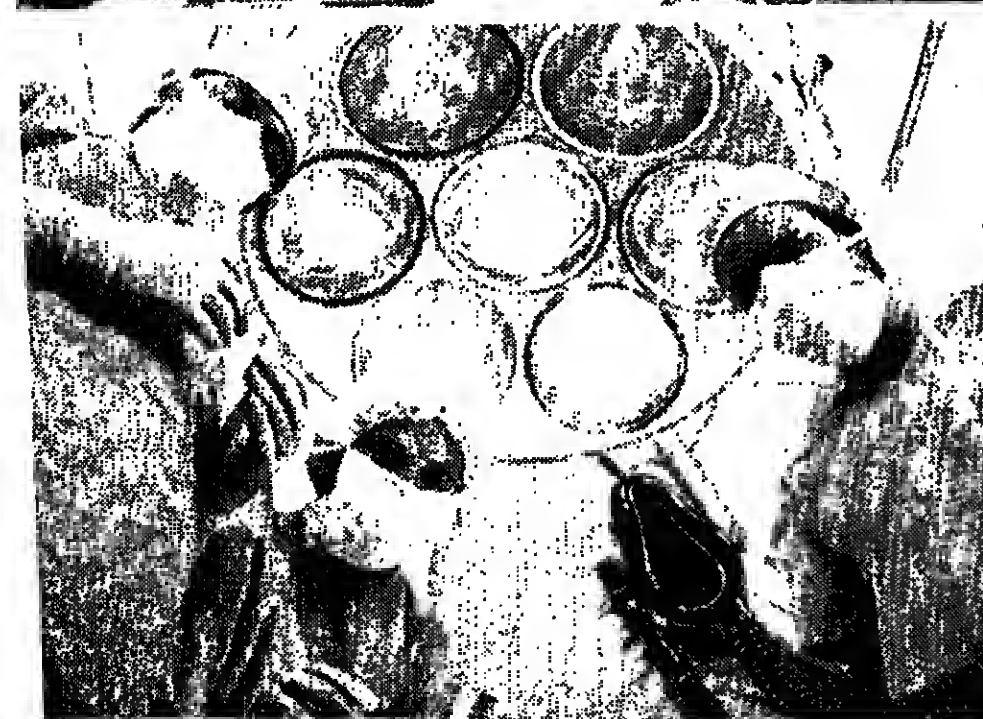
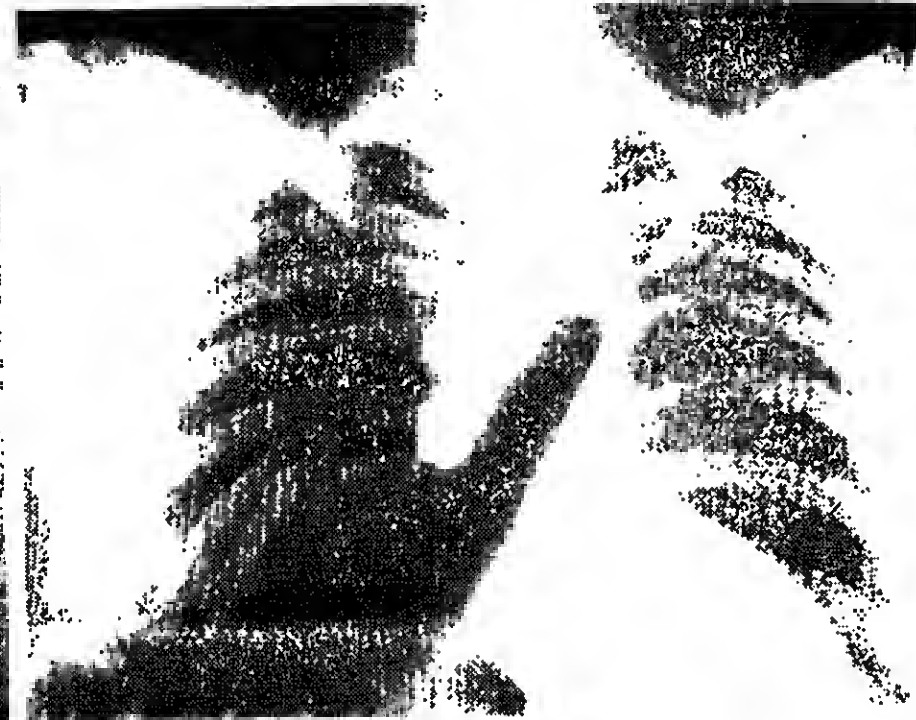


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Marketing

Newcomer casts nation in Pacific leadership role

by Grev Wiggs

A THRUSTING, aggressive New Zealand in a leadership role, bonding together the nations of the Pacific Basin in a new market structure, as a result, earning a fresh stature and enhanced respect for the country and its products; through the feedback from these close associations, able to identify additional market opportunities for its products and services; willing and able to respond to these opportunities by harnessing the country's high technical skills, manifold resources and extensive infrastructure to satisfy the observed demand. A new, well-founded opportunity.

This scenario is not the fruit of a wide-eyed visionary or a calculated proposal by a newcomer to New Zealand who is equipped by training and experience to produce this vision of New Zealand's potential.

Dr Suzanne Stafford BA, MSc, PhD, whose subjects cover political science, international relations, international business, marketing, with special emphasis on the Pacific Basin, worked for the Bank of America in the East Europe region, run her own consultancy and assisted New Zealand agencies in United States marketing operations.

She first visited New Zealand on a 14-nation get-acquainted tour of the Pacific and fell in love with it then. When the opportunity to reside in the country arose, she seized it and only a few weeks ago moved to New Zealand to take the position of marketing

consultant with Dobbs-Wiggins McCann-Erickson, the New Zealand end of the multinational advertising agency McCann-Erickson.

Here she will advise clients on marketing, both domestic and export, and with special emphasis on the United States. Stafford sees the Pacific as an area of abounding opportunity and still possessing a frontier quality.

The greatest potential for trade development is through the establishment of an economic council, not dissimilar to that of the EEC.

"No country is promoting the idea actively," Stafford told NBR, "so that role is open for New Zealand to take and it is opportune for this country to use it. No other country is better placed to take the leadership in this venture."

"New Zealand's size would not intimidate the smaller powers, who would be overwhelmed by Australia, Japan or USA. This country is well placed geographically for the purpose."

"It has been a friendly and helpful neighbour to developing countries and is well regarded by them. At the same time it has the respect of, as well as the commercial links, with the developed nations."

"Its political position is a beautiful blend of private enterprise and socialist services, a mix acceptable to all."

"It can well be the destiny of New Zealand to act as the nexus or bonding agent for the whole Pacific Basin economy."

The reward for such enterprise, Stafford believes, will take the shape of fresh and de-

marketing associations - few marketing symbols.

"In the leadership position, it will develop a new image and the leadership association then applies to its products as well."

"It is never harmful to any product to be given a political introduction."

In addition, she argues, we would be in a position to see the opportunities that exist for our products in other countries through the information feedback that comes from such close association. This will open the gates to what Stafford describes as "responsive marketing."

New Zealand is peculiarly well fitted to the production of a great range of services or commodities.

"The infrastructure for flexible production already exists. Labour is available, much of it

consisting of people with a high degree of training.

One limitation springs from the population size which imposes a finite limit on expenditure and the development of investment capital.

In a period of inflation coupled with a recession, foreign investment is necessary to stimulate the economy. More money has to circulate and it must come from outside the country.

"New Zealanders are a modest, even diffident people and in some ways under-rate their country's achievements. They realistically recognise the limitations of size and the problems imposed by being so remote from the major centres of the world."

"But they compensate for this with their propensity for travel - they're amazing

travellers - and they observe other lifestyles and incorporate the best aspects of these in the New Zealand way of life."

So New Zealand is well equipped, asserts Stafford, to take its real place in a developing Pacific economy.

"Add it all up. We have (and Stafford already talks in the first person plural) a great deal of advanced technical information. We have physical, natural and social resources of enviable dimensions. We have the right geography. We have a clever, creative, adaptable and resourceful work force of high education and ability."

"Through town-planning and directing its trade policies, New Zealand can go anywhere it wants to go."

These are brave, even inspiring, words for a newcomer. Is there anyone out there listening?



Suzanne Stafford...nexus or bonding agent.

sirable marketing opportunities.

"New Zealand is under-marketed in the sense that it is not sufficiently well known overseas. There are not enough

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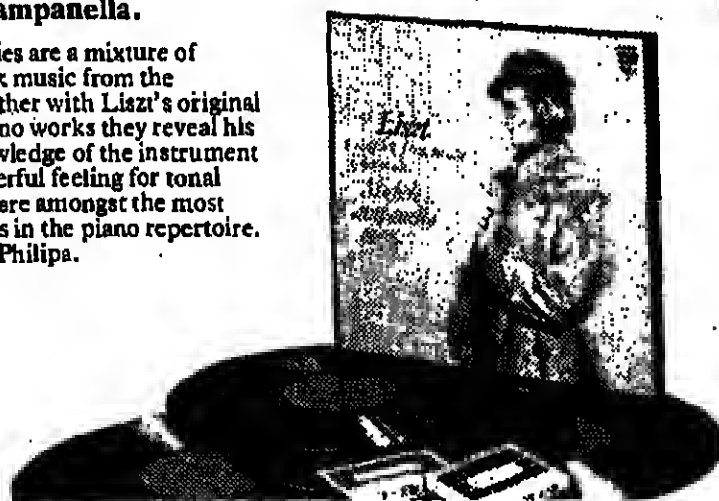
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Horticulture

Horticulture: getting its act together at long last

by Wayne Cartwright

THE Third Horticultural Export Symposium will probably be remembered as a turning-point in the development of the industry's exporting effort because delegates accepted two key ideas.

It was recognised that development should be market-oriented, in contrast to the present sales orientation of the industry.

It was accepted that planning is necessary, particularly to ensure better co-ordination of development effort in the fragmented parts of the industry.

There was no wild enthusiasm about these ideas. Rather, there was the realisation that the almost euphoric planting expansion of the past two years must give way to a more rational and hard-headed approach to industry development.

Some sections of the industry are already on a market-oriented and planned track. Pip fruit and kiwifruit are obvious examples.

But, the need for market-oriented planning is especially clear for berryfruit, cut flowers, and new types of subtropical fruit.

No-one close to the horticultural industry doubts that it has a large potential for export development, and it remains one of New Zealand's higher stars as a future earner of overseas exchange.

But some of the recent enthusiasm for expansion has been misguided and is likely to lead to temporary expiring problems in the next few years. All of these immediate

problems stem from the philosophy that "if it will grow here, then let's plant it and worry about marketing it later".

Most of the recent expansion into blueberries, avocados and feijoa reflects this approach.

More specifically, many growers have been planting large areas without proper regard to future market opportunities.

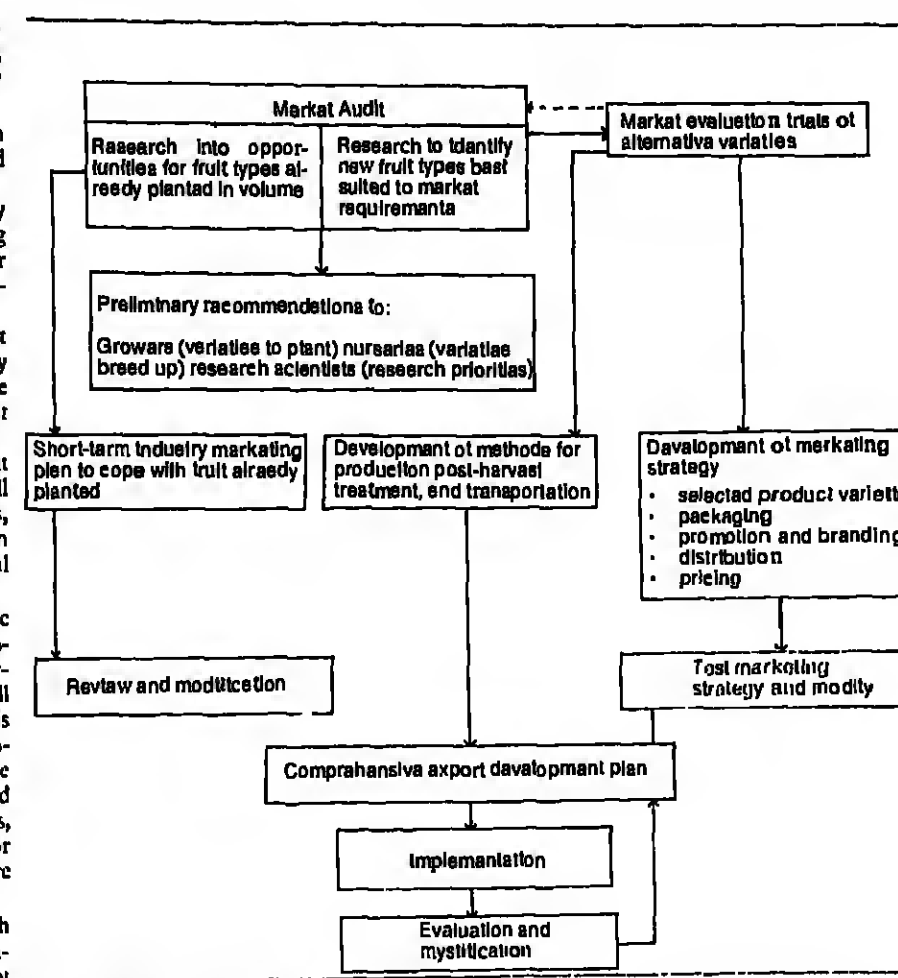
The problem is that product volume will increase in a way that will bear no relation to the market opportunities that exist at the time.

There is a clear danger that prices will be depressed well below growers' expectations, and New Zealand's reputation as a responsible horticultural exporter will be damaged.

There is also a strong chance that future market development prospects will be jeopardised because consumers will find that the product itself is inferior. This is likely to happen with feijoa because growers have forged ahead and planted inferior varieties, rather than waited for development of varieties more attractive to consumers.

The industry must cope with these problems as well as ensuring that the mistakes are not repeated. And it is encouraging that it has accepted that these tasks will require careful planning based on sound market information and scientific research.

It would be sensible to develop a separate export development plan for each major product group. Examples of such groups would be berryfruit, subtropical fruit, cut flowers, and live plants.



The diagram shows a suggested sequence of steps to plan export development of subtropical fruit. The basic scheme for other products would be similar.

The sequence begins with a comprehensive market audit involving collation of market information held by exporters, as well as additional marketing research.

This leads to a three-pronged effort:

- Provision of preliminary recommendations to growers, nurseries, and research scientists
- Preparation of a short-term industry marketing plan to cope with the increased volume of fruit that will inevitably be produced as a result of mis-guided planning

Initiation of development of a comprehensive plan for long-term export development.

This sort of planning effort would be wasted — or might never get off the ground — unless those individuals and organisations that are involved with the product group are prepared to co-operate in devising their development plan and to co-ordinate their activity to the extent called for

by the plan.

One way of achieving this is to set up a statutory marketing board. The performance of the Apple and Pear Marketing Board shows that this is a viable alternative.

But, it is likely that other structures can perform as well, while maintaining a substantial element of free enterprise.

The structure evolved by the avocado industry in Southern California deserves close attention. It consists of a highly effective blend of free enterprise and statutory co-ordination.

Private companies and co-operatives produce, pack, ship, sell, and distribute. Product research, quality standards, marketing research and promotion are managed by a co-ordinating body.

This body has a strongly commercial orientation and receives its operating funds from a statutory levy on the revenue earned by avocado.

The New Zealand kiwifruit industry is evolving in a similar way, although it appears to have a stronger regulatory orientation.

Discussions aimed at establishing planning and co-ordinating bodies are now under way, with encouragement from the Horticultural Export Development Committee.

The industry has a lot of sorting out to do before it will be ready to realise its export potential. But it has taken promising steps in the right direction — its marketing act is taking shape at last.

Wayne Cartwright is Professor of Marketing at Massey University.

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Letters

Undermining arbitration

MINISTER of Labour Jim Bolger takes issue (*NBR* June 2) with the statement by the Insurance Workers Union secretary, Mr Graham Ogilvie (*NBR* May 5) that the Government provides a disincentive to unions to use the Arbitration Court by not supplying it with adequate resources.

The Minister contends that Mr Ogilvie's experiences are of a "very particular nature" and exhorts unions towards a stronger commitment to use the arbitration system, albeit at a time when the National Government's own actions have done more to undermine the system than any other single thing.

I consider that in the view of most unionists who also use the Arbitration Court, Mr Ogilvie's experiences, far from

being of a very particular nature, would be the norm whether or not the Court is operating at full capacity.

Indeed, many trade unionists would assert that our arbitration system is simply not geared to meet the needs of a modern industrial society. By this I do not intend to imply criticism of the members of the Court, who are no doubt doing their best in operating under what is basically a nineteenth century model.

Mr Bolger goes on to contend that in 1978 the resources available to the arbitration system were considerably expanded.

Apart from the fact that many — both employers and unions — saw the setting of the "new" Arbitration Court as a bloody great leap backwards (the reasons for which were never clearly explained either at the time or since) the simple fact of the matter is that this considerable expansion in-

involved merely exchanging two institutions (industrial court and commission) for two others (the Arbitration Court sitting in two divisions).

In other areas this considerable expansion of resources seems to be a matter of opinion. For example in 1979 after the Federation of Labour had lodged its application for a minimum living wage, the date of hearing had to be delayed, apparently because adequate secretarial services were not available to the then Chief Judge, who was supposed to be presiding over the hearing (that is, until the Prime Minister commandeered television time to announce the court was not the "appropriate" body to hear the case and the Government subsequently revoked the General Wage Orders Act).

If the Minister is really concerned at ensuring a workable arbitration system then there are two steps I suggest he could take:

First: instead of alleging criticisms of the system are of a "very particular nature" he gets an independent survey carried out of the views of the users of the arbitration system (perhaps *NBR* would oblige).

Second: that a full public inquiry be held as to the adequacy and relevance of the conciliation and arbitration system to the needs of a rapidly changing industrial society.

After these steps we might then begin to develop a system that justifies a commitment by trade unions.

Rob Trott
Industrial Officer
Trade Union Research
and Consultancy

Meat needs ingredients

YOUR edition of June 2 carried an article headed: "Meat industry delicensing threatens farmers" which was the written view of the general

manager of Gear Meat Company, Barney Sindrum.

Mr Sindrum conveyed an attitude that can only be described as one of fear of competition, innovation and good old-fashioned enterprise by investors.

All these ingredients are desperately required in the country and none more so than in the meat industry.

If employment opportunities were the only criteria, they would still be the first requirements.

Therefore Mr Sindrum's over-sensitive reaction to those who might have the enterprise and initiative to construct and operate new killing facilities without the costly hindrance of unnecessary restrictive legislation should be rubbished.

No investor with any brains would build new works just for the sake of owning one. They would need to be well satisfied there was a genuine demand for the services that are provided and that they could provide that service to farmers at a competitive price. Surely in these circumstances the existing companies have an inbuilt advantage unless they have been rather careless in questions of good management.

In his enthusiasm to protect the status quo, Mr Sindrum extravagantly and without evidence concludes that new works will abound and the farmers will pay the cost.

That's all absolute bunkum unless there are concealed fortunes in processing meat. The Gear Meat Company's accounts associated with the Petone works should provide the necessary disciplines on busy investors itching to make a fortune.

In Southland, the directors of the Alliance Freezing Co have provided a classic example of what can happen to capital invested in a new works. It simply cannot be serviced by other than peanut dividends.

The Alliance Co has an up-to-date works with an insurable value close to \$100 million. That means it could well take that kind of capital to build the same out today's costs which are increasing rapidly. The Alliance directors wishing to purchase the same for a full co-operative venture valued the works at \$10 million.

Surely Mr Sindrum can see that is sufficient discipline on foolish investors without unnecessary restrictive legislation which only adds tremendously to the costs of those who see a need and can provide for it.

Who better to make the judgment on investment? Surely the responsibility should reside with those who put the money up, not some legislated for authority. Only those frightened of their own capacity to meet competition from investment and those who love being controlled by the Government so that responsibility can be avoided will oppose the delicensing measure at present contained in a Bill.

The Bill should also do away entirely with the Meat Industry Authority and the pretence associated with the so-called "open door" policy. The "open door" concept has never worked, nor can it. There are far too many practical difficulties, competition amongst the processing works will ensure best the farmers' wishes in marketing are met.

In his despair about delicensing Mr Sindrum seems all worked up about the Government's new-found love for private enterprise. He should not over worry about

this factor for there is no *NBR* that Government who would make an apology for a genuine private enterprise. However earnestly hope they have the courage of their convictions in dealing with a very limited measure, but one vital for the meat industry.

Aubrey Begg
Drummond

Allaying lies on dog control

"WITHOUT word of a lie" (*NBR*, June 2 1980) has provided incorrect information about the Auckland City Council's 1979/80 accounts.

As ratcatchers will tell when the accounts are published, the figures quoted in your newspaper are incorrect. I concede that in providing the dog control services to the high standard required by city residents it is not possible to avoid a deficit without imposing an unrealistically high dog registration fee.

This approach could, however, be self-defeating because of the likelihood of more dog owners being encouraged to evade their obligations, thereby increasing the cost of controlling the dog problem.

The cost of dog control in 1979/80 financial year was \$153,383. Receipts and \$113,532.

The cost of traffic enforcement for 1979/80 was \$1,720,810 and receipts totalled \$2,110,936.

I am disappointed that your columnist does not appreciate that the council's public policy is aimed at discouraging the consumer or long term parker who wants to monopolise kerb space to the detriment of motorists wishing to conduct business in the central area.

There is no doubt that those who disregard parking restrictions for the purpose of saving their cars on the street are vicious in their criticism of the rationing system enforcement, but thoughtful motorists appreciate the fact the enforcement encourages parking turnover to the benefit of the majority.

Cr H Goodman
Chairman - Traffic and Road Safety Committee
Auckland City Council

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Overseas trade

Export incentive clashes with rich man's code

by John Draper

THE Government's export incentive scheme announced in last year's Budget and introduced on April 1 contravenes the revised General Agreement on Tariffs and Trade signed in Geneva last year.

Direct incentives to promote exports are now outlawed by the Code on Subsidies and Countervailing Duties.

The United States has already told these countries, adjacent to sign, that existing legislation enabling the imposition of countervailing duties will continue to be used against their exports.

New Zealand, along with Australia, Canada and a few

other nations whose prime exports are agricultural products, are unlikely to sign.

The code is directly opposed to New Zealand's interests, highlighting the unresolved dispute between the industrialised nations and agricultural produce exporters that dogged the prolonged "Tokyo round" of GATT negotiations.

The code demands that "signatories shall not grant export subsidies on products other than certain primary products".

In its simplest form, the code means the European Common Market can continue to give large export rebates to demolish its butter mountain by effectively dumping supplies on the world market, while New Zealand's manufactured products are supposed to compete without subsidy.

The code seeks to eliminate the harmful effects of export subsidies on trade and production while at the same time recognising that subsidies are used by governments to promote important objectives of national policy.

Examples of subsidies outlawed by the code include those dependent on export performance, as New Zealand's scheme does.

The code regards as taboo other export subsidies such as: dual exchange rates effectively giving exporters a bonus subsidised inputs and services including electricity, tax or social welfare payment; rebates dependent on export performance; subsidised freight rates; and special export credit or guarantee schemes.

But the code recognises that such subsidies can give exporters an advantage over domestic manufacturers in another nation and can even effectively nullify the overall provisions of the GATT.

"Signatories shall therefore seek to avoid causing such effects through the use of subsidies," the draft code reads.

There are safeguards. Any signatory has to prove injury from subsidised imports. Disputes unresolved bi-laterally can be taken to a GATT conciliation committee.

American unemployment

THE United States unemployment rate shot up to 7.8 per cent in May, the highest in 3½ years, and a further indication of deepening recession.

It was the second month in a row that the unemployment rate had jumped 0.8 per cent, the largest two-month increase since the United States Government began compiling employment data.

During all of last year the unemployment rate had stayed between 5.7 and 5.9 per cent. But, Janet Norwood, Commissioner of the US Bureau of Labour Statistics, told the Congressional Joint Economic Committee on release of the figures that since the current recession began in January, the number of jobless workers has increased by more than 1.7 million.

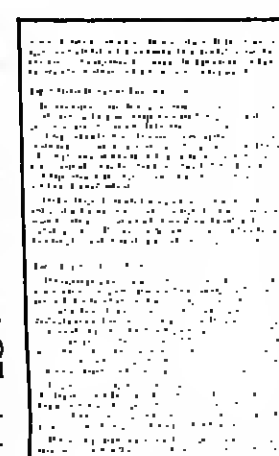
And to have any measure of success, the country claiming injury, must show that the volume of subsidised imports is large enough to have a marked effect on domestic prices with a consequent impact on domestic producers.

There is an out for developing countries, a status not applicable to New Zealand.

New Zealand has few, if any, exports other than primary produce (which are exempt) dominating individual or world markets.

The United States is keen for New Zealand and other reluctant nations to sign the code. So far it has only been initiated by the major industrial nations, those the code will benefit most.

In essence, the GATT has always been a rich man's agreement drawn up by the industrialised nations for their own benefit.



Budget offer... contravenes GATT

In the Tokyo round, the other nations did get some concessions, but in the overall atmosphere of trade restrictions, the gains were minor.

Beef exporters now have the security of guaranteed minimum quotas to the United States, Canada, the EEC and to some degree, from Japan.

Tariff on beef were reduced by a third by the United States and Canada while tariffs on beef offal were cut by the EEC and Japan.

A cheese quota to the EEC was restored but only at a token 9500 tonnes while the United States agreed to double its quota to 17,442, most of which New Zealand had been supplying anyway because of a shortfall by other suppliers.

The United States also agreed to reduce tariffs on a range of wool items including wool and carpet yarns. Canada, the EEC and Japan made similar concessions.

In return, New Zealand agreed to a reduction in tariffs on wine, fruit, tobacco, wool, machinery and photographic ma-

terial to the USA; timber and pork to Canada; fruits, vegetables and licensing of exports on beer — which the Australians have been quick to take advantage of; champagne and vegetable oils to the EEC.

There are two other codes New Zealand has yet to sign, the first relating to Government procurement and the other on Customs valuation. Neither comes into effect until January 1, 1981.

Customs officials are now evaluating a changed valuation base for New Zealand imports which are at present calculated on a current domestic value — usually ex-factory — basis.

The code gives the option of valuing imports either at free on board (FOB) prices or cost, insurance, freight (C&F).

Both systems may need a downward adjustment of tariffs to maintain wholesale prices at current levels.



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Energy

Lignite flickers ray of hope for post-Maui days

THE bright light for New Zealand's energy needs in the post-Maui days — Mataura valley lignite — is already flickering.

Coal researchers and experts are saying that politicians have been far too optimistic in their talk about the self-sufficiency potential of the vast lignite reserves lying under mostly prime farming land in Eastern and Southern Southland.

They say a lot more research is called for before any estimates of the total reserves can be confirmed. Further study is also needed before it can be said that the reserves are suitable for conversion to liquid fuels.

For his part, Energy Minister Bill Birch has denied misleading the country into believing there is much more lignite in Southland than can be recovered using present mining methods and technology.

He said it had always been recognised that further study and research would be necessary to prove deposits and assess costs, and those studies were under way.

But a second major survey of the resources, costing about \$500,000 and expected to begin this month, has been postponed because Cabinet has yet to approve the expenditure.

Doubts about the optimism being expressed arose at a recent seminar in Wellington.

Research workers, coal producers, users and Government officials then discussed the need to investigate all aspects of coal, from exploration through to use.

Birch opened the workshop at which clear differences of opinion emerged.

"Of particular importance is the question of reserves," said the New Zealand Energy Research and Development Committee.

"Geologists from the New Zealand Geological Survey

stated that although there could be as much as 10,000 million tonnes of lignite in the ground in Southland and Otago, at the moment only 10 million tonnes can be classified as reserves which could be mined.

"This is because, generally, the lignite is in comparatively thin seams, often in very wet ground. There is a real need to carry out much more detailed studies of the coal in the ground and the methods which could be used to extract it at a competitive price."

There was another difference of opinion about conventional uses for coal in boilers and for heating, and its use for the production of transport fuels.

"While there was an interest in liquefaction, particularly among chemists and chemical engineers, it was generally agreed that conventional uses of coal should now be strongly supported as they offer to current users of oil the potential to switch to coal," the ERDC said.

Many participants had considerable difficulty in seeing how coal fitted into the country's overall energy strategy in the light of the great commitment to Maui natural gas.

But Birch pointed out that projects under way in New Zealand would make New Zealand only 50 per cent self-sufficient in transport fuels, and he clearly saw coal as having the potential to supply additional indigenous transport fuel.

Politicians from Prime Minister Rob Muldoon down have visited the Maturra fields recently, and have come away making optimistic statements.

The total indicated and inferred lignite reserves from six deposits in Eastern Southland are 4424 million tonnes. The Waimumu and Croydon deposits, of 169 million and 185 million tonnes respectively,



Bill Birch... coal for transport fuel

ly, are considered the most attractive.

Reports from respected groups have helped boost the political optimism.

Otago University's business development centre has written a report for the Southland Regional Development Council, which says the most likely use of the lignite is in a petrochemical plant.

Maui gas was easiest to adapt to liquid fuel production, the study said, and would last up to 30 years, depending on the rate of use.

"It therefore seems more probable that initially, the main use for Southland and Otago lignite will be as the feedstock for a petrochemical plant producing chemicals, plastics, fertilisers and so on."

"It could also supplement the production of liquid fuels and oils during the first 20 years of production — ultimately taking over the production of liquid fuels when the gas runs out," the study said.

Such a plant would cost \$100 million at the time the study was completed and would consume 10 to 20 million tonnes a year to be viable. It would employ 1000 people and based on that consumption, the lignite fields would last 150 years.

Environmental problems aside — and there would be plenty of them, if, as envisaged, large bucketwheel excavators were used, each capable of handling 240,000 cubic metres a day — experts have now pinpointed other matters of concern.

A senior lecturer in geology at Canterbury University, Dr D W Lewis, was reported in the *Christchurch Press* as saying: "At present and in the foreseeable future, the cost of production is too high."

More caution was required than politicians had shown to date, he said, and even if all information was now available, mining could not start for at least another 10 years. Special equipment would have to be ordered to tackle the job.

Other experts — some in the Ministry of Energy — have supported Dr Lewis' sta-

tements, and a chemical engineer at Canterbury University, Dr N J Peet has pointed out that removing the high water content in the coal could require more energy than would be gained from the lignite itself.

The views of those at the seminar have supported what a small group of Southland based geologists and coal experts have said all along — that the Mataura lignite fields are simply a potential resource with many problems to be overcome.

But, in the euphoria after a first survey of coalfields revealed the inferred reserves of more than 4400 million tonnes, their pleas for caution were lost.

Approval for the second survey is expected soon, and more will have to follow before any detailed estimate of reserves could be made.

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Cliff Wilkinson
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"A report listing advantages and disadvantages of each site is presented with our recommendation to the client. While we ensure that all the usual town planning, servicing and building code restrictions can be met, an option or conditional purchase agreement is then negotiated with the land owner."

Sport

Enthusiasts need the mind of simpering jellyfish

by Brian Turner

WHAT is sport? Think about it and you may agree that the question is harder to answer today than for a very long time. Dictionary definitions from the *Oxford* give "amusement, diversion, fun".

But what place do such things have in today's sporting world? I would say too little, and yet, to say that they once were present in gratifying abundance is to simplify the issue, and to renege on the nostalgic arch of how we fondly like to remember the sporting world to have been, rather than to be honest about the way it really was.

I was bought up to believe that as long as sport was an amateur pastime it was beyond criticism, beyond reproach. Anything done in the name of amateur sport was just won-

derful and all who so participated would be guaranteed a place in the flannelled or booted halls of hereafter.

The game, above all else, was the thing. But it didn't stop people hitting, abusing, cheating, cursing and elbowing me or appealing when they knew people weren't out.

The taking part, the spirit of the game was everything. Professionals were dour and unimaginative and amateurs were fleet and bubbling with inventiveness, were sweetness and light.

Rubbish. Nevertheless these lies kept me going for a few years into my teens before the penny dropped and I realised it was crazy to embrace such preferred visions; with all the abstractions and generalities that went with them.

I began to understand that all one could do was deal with

other sportspeople on an individual basis and treat them as I found them. Some played fair and one admired them, others were cheats and ever more would be so. And one despised them.

People should look more to the amusement and fun to be had from sport, and less to censure and scolding.

One of the big differences between sport of recent times is that politicians, a glib public, and some of the more conservative and self-righteous administrators are making unreasonable and unfair vindictive demands on the men and women participants in sport.

To stay sane today and to remain undeterred by the hypocritical political shenanigans being practised, a sportsman needs the mind of a simpering jellyfish and the strength and resolve of an ele-

phant. And it doesn't make things any easier when your own legendary predecessors get in on the act and snidely accuse you of picking and choosing, being disloyal and lowering the value and pride to be had from wearing the All Black jersey, blah, blah, blah.

I am referring to Colin Meads ticking off Graham Mourie for not being available for the Australian tour. Meads is impertinent. I do not know of Mourie's reasons for staying at home but he has every right to do so. When wearing the All Black jersey Mourie has given his all and some for his team. No one could have given more.

Rugby injury come thick and fast these days as it and other sports have all, and to their and our detriment, become sucked into the personal whirl of intense international competi-

tion. Internationals meant more when they were less frequent; just as provincial representative sport meant more to both participants and spectators when there were fewer games.

And as for international competition being so essential to top class performance, how come the Springboks managed to beat the Lions in the first two test matches in South Africa?

I began by saying that sport was not always as we often prefer to think it was. Let us take dirty play and cheating and run back down the years.

In 1956 I was 12-years-old. One raw Saturday, when snow lay on the hills around the city and stinging showers of rain and sleet blew in from the southwest, I sat with other spindly boys on the terrace touchline at Carisbrook. That came the Springboks and the All Blacks. The distinctly intoxicated crowd, many of whom had camped outside the ground overnight, played of 'fore indeed set up a din, and we kids added our shrill imitative cries.

During the match one South African back was carried off with a broken leg. Butch Lochner was set up by a garden up-and-under and immovably flattened by Ross Brown. I'm White and one other and Mark I'm had his ribs damaged badly in a line-out misadventure in front of us.

I'm not sure, but I don't think replacements were allowed then. A piece of mangle iron if ever there was one, I watched the touchline with open-mouthed horror and saw the wisdom in having taken up hockey, a game for the slightly less insane.

Final play is no worse today and we don't really want to see all the stoush and chipping removed from the game. If we did, a spate of orderings-off would get rid of most of it in less than a season.

Cheating is harder to stamp



Rugby... whirl of compulsion.

out. About the only thing to be done there is for coaches to exclude such people from consideration and let them know why. The trouble is coaches are easier to take when they're on your side. That's why they get away with it.

I have to confess that having reached the grand old age of 36, I don't get excited about such things as international competition. Ranting Shields, medal tables, and so on, any more. I am happy to run 10 kilometres over bush tracks or beside the sea — when tensions allow — and leave the juvenile obsessiveness to those adolescents between 12 and the hereafter, who are still gripped by such things.

My advice to any keen, ambitious young sportsman or woman is to shut up and do the best you can. Treat your critics — especially journalists who don't know the difference between fact and opinion — with serene disdain. Give straight honest answers to sensible questions and regard most politicians with contempt. Make your own decisions on the basis of what you believe to be morally just in a sporting sense.

And if there's no amusement or fun in it, any more, give it up.

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Public speculates while waiting for a factual Govt response to the smelter economic disaster report

WHAT ever happened to Professor van Moeske's economic report on aluminium smelters? The one that, despite suggesting a smelter would be an economic disaster, had drawn a nil factual response from Government.

The simple answer is very little, and people waiting for a response have been left wondering if the silence doesn't mean the drastic conclusions evident in the report are correct.

Since the study was first published in April, however, a considerable amount of information has been added to the issue that could point the way for New Zealand to take.

A central issue in the van Moeske report is the economic stupidity of selling electricity at below the real marginal cost (which he claims is 2.56c, a figure since substantiated in a number of ways).

Recent international developments in the aluminium industry show many countries are becoming intolerant of electricity subsidies for smelters.

In North-west America the Bonneville Power Administration, which controls a major hydro-basin feeding one third of the American aluminium industry, has refused to renew

cheap power contracts for all major producers.

At Rheinfelden in West Germany the Alusuisse smelter has run into severe difficulties because the power company is refusing to provide electricity at a cheaper rate than the rest of its customers. And the Guiline smelter in Germany has gone bankrupt for similar reasons.

In Britain Anglesey Aluminium has shelved expansion plans following the failure of the company to negotiate a power price with the Government, a price reported to involve a subsidy in the order of \$460 million.

In Norway the Norsk hydro has dropped plans for a major smelter at Glomfjord as well as extensions to the Karmoy smelter because of high hydro-power construction and production costs.

In India the Belco smelter's plans for expansion are threatened by power problems that have already caused serious disruptions to the smelter.

In Australia, where the real cost of power is a relatively cheap 1.4 c a unit, many states are selling power below the real cost and entirely lack the ability to negotiate with the multinationals according to a recent *Metal Bulletin* article.

And the power price problems are not the only ones affecting the industry.

In Japan, new environmental pressures along with energy costs are forcing the industry to relocate abroad.

In Spain the huge San Ciprian smelter is being held at 0.1 of its planned capacity while the Ministry of Industry examines fluoride emission problems.

Closer to home the Fletcher-CSR-Alusuisse proposal claims demand for aluminium will be so great during the 1980s that three new 200,000 tonne smelters will have to be commissioned in the Western world every year.

The common denominator could well be a gold mine for New Zealand; the benefits of a smelter along with a handsome profit from electricity sold, not at a loss but at a profit.

In short, the aluminium in-



Lance Adams-Schneider holds back figure

dustry internationally is running out of sites, let alone sites favoured with cheap power contracts, a labour force and political stability.

Thus at this stage a long-term cheap power contract (the

Fletcher consortium wants a 22.5 years contract renewable for 20 years) could be something soon regretted.

The consortium's proposal, indicated in a recent report, has created a small opening in Government silence which allows closer examination of the van Moeske report.

In his report van Moeske claimed it would cost \$2.1 million for every direct job created (\$1.25 million of hydro capital costs are not included).

Prime Minister Rob Muldoon and Trade and Industry Minister Lance Adams-Schneider rubbish the figure and said it would cost \$600,000 a job. Regional Development Minister Warren Cooper said he could get it down to \$500,000 and implored people to trust the Government.

The consortium puts the figure at \$1.24 million a job

(exclusive of hydro costs, or \$84,210 in 1980 terms).

In his report van Moeske said the capital outlay per ton capacity would be \$3333. And he has since said the new Reynolds smelter at Isabela, Philippines, is projecting \$5714 per ton.

Adams-Schneider wouldn't give a figure, but claimed it was "considerably less".

The consortium puts it at \$5900 or \$3250 in 1980 terms. Adams-Schneider said van Moeske made errors in raw material and manufacturing costs and quantities, but he did not specify them.

Van Moeske said it would take two tons of alumina to produce one ton of aluminium. The consortium puts it at 1.91 tonnes of alumina.

Van Moeske said it would take 0.5 ton of petroleum coke per ton of aluminium produced. The consortium puts

it at 0.05 of a tonne, or 0.45 with recovered material.

Adams-Schneider said the size of smelter proposals before the Government ranged from 100,000 tonnes to 200,000 tonnes, not the 300,000 tonnes van Moeske used in his study.

The consortium proposes a 300,000 tonne smelter, with the full 100,000 tonne pot dependent on power price and availability.

Adams-Schneider said it could take 15,000 kWh of electricity per tonne of alumina, not 17,000 as van Moeske assumed.

Van Moeske said his figures for late 1979 and early 1980 were at a correspondingly higher capital cost.

The consortium puts the figure at 14,750 kWh per tonne. These comparisons are inclusive despite apparent figures from 1979,

1980 and actual costs are mingled as are ton and tonnes. And while Government spokesmen claim their figures come from actual proposals that does not necessarily mean the Fletcher proposal.

But at the very least they do nothing to dispel the economically disquieting conclusions of van Moeske's report and the silent support that has followed.

Since the report Treasury has "redone" the figures following van Moeske's methodology and managed to turn a trade deficit into an economically viable position.

Van Moeske has access to the Treasury figures but refuses to release them. But he is prepared to discuss major points of disagreement.

One area in which Treasury has improved the apparent position is to retain van Moeske's producer price for alumina but



Aluminium industry... bagging running out of sites

replace his producer price for aluminium with the London Metals Exchange world price.

This has the effect of inflating the export value of aluminium while retaining the lowest rate for imported alumina, thus artificially improving the trade efficiency.

Treasury has also improved

the economics of the position by changing van Moeske's charge for electricity.

"The most important thing is no economist would agree to value electricity at only a fraction of its real marginal cost."

"This is an elementary mistake in basic economic theory which I can do nothing about."

van Moeske said.

Treasury also " hugely undervalues the capital cost per tonne of aluminium produced", van Moeske said.

Van Moeske used \$3333 per tonne, to be compared to the consortium's 1980 figure of \$3259, so there is not much room for Treasury's manoeuvring.

Since his initial report van Moeske has received evidence dispelling the Government claim that secondary industry cannot be treated as a separate economic issue because of advantages gained from siting the two together.

"Kaiser's Trentwood (Spokane Valley, Washington) steel rolling mill of 200,000 tonnes annual capacity is largely integrated with the nearby smelter at Mead. Energy savings derived from molten metal deliveries average out at about 150 million units annually, or less than 5 per cent of the primary energy requirements."

"They are not going to come here to save 5 per cent when they lose about 30 per cent on transport alone," van Moeske said.

Van Moeske has also recently received a report by Amalgamated Metal Corporation of London (done in December last year) which

shows production costs for typical new smelters responsible for their own hydropower have increased in North America and Western Europe by about 64 per cent since 1976. Small wonder they are looking for overseas sites.

Further confirmation of his figures comes in the projected net export figure for the Gladstone Aluminium smelter. The Australian net foreign earnings figure is \$78.6 million compared to van Moeske's \$72.2 million for New Zealand, with the difference explained in cheaper costs in Australia.

So where does this leave the state of the art? Still largely in a state of flux.

But the Fletcher consortium's proposal suggests the Government and all interested parties will have to place their cards on the table alongside van Moeske.

Fletcher expects the provisions of the fast-track National Development Act will be invoked if a smelter gets the go-ahead.

And that means the issue will have to be established before the tribunal as in the national economic interest. The ensuing debate should settle once and for all whether an aluminium smelter is in New Zealand's present interest.

No changes in US policy

PRESIDENT Carter's chief economic advisers say there will be no change in current economic policy simply because recently released economic indicators show worsening unemployment and an improved inflation outlook.

Treasury secretary William Miller and Charles Schultz, chairman of the President's Council of Economic Advisers, said the new indicators are "transient" — part of a process in which the economy has reacted in a downward way faster than anyone expected.

"We do not know the path of the economy from here. Until we have that in mind, we do not intend to flinch and change our policy in course," Miller said.

Miller said that two factors were forming the base for recovery of economic activity in the United States. One has the sharp decline in interest rates, the other was the slowing of inflation.

"We need to see further declines in mortgage interest rates in order to see housing pick up and we need to see the prime rate come down further to help small business and agriculture," Miller said.

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Industrial output takes dive in all major sectors

INDUSTRIAL production in the United States fell by an estimated 2.1 per cent in May — a drop that further confirms that the United States is in a recession.

This was the fourth consecutive monthly decline in production, and follows a 2 per cent drop in April. The industrial production index is now 4.7 per cent lower than it was in January.

Reductions in industrial output occurred in all major sectors and were particularly

sizeable for automotive products, home goods, construction supplies and durable goods materials.

The May decline was the biggest one-month drop in the index since the 1974-75 recession.

Other economic indicators have signalled the recession.

The Commerce Department recently reported that American businesses plan to increase their capital spending in real terms — after compensation for inflation — only about 1

per cent in 1980. Real capital spending rose about 6 per cent in 1979.

In addition, retail sales fell in May for the fourth consecutive month, and manufacturing and trade inventories rose 1.3 per cent in April — the largest rise in almost a year.

Inventories had risen 0.9 per cent the month before.

The increase in inventories, if it continues in later months, might be a sign that the recession will be deeper than expected.

When inventories rise to unwanted levels, firms typically cut back production until the levels drop. A rise in inventories and a subsequent cutback in production was a major factor in the 1974-75 recession in the United States.

There was strong evidence that the Carter Administration's anti-inflation efforts were having an impact, according to one Government report. But it warned that "serious underlying inflationary pressures in the economy

still remain widespread and may be difficult to reverse".

In its latest report on inflation trends, the President's Council on Wage and Price Stability said the dramatic deceleration of both wage and price inflation in April and May, combined with other economic data, "seems to indicate that the economic actions outlined by the President in his March 14 announcement have dampened inflationary expectations".

The March programme included budget cutbacks and controls on bank and consumer credit.

Consumer price inflation fell from an 18 per cent annual rate in the first quarter of 1980 to 11 per cent in April.

Although food prices are likely to increase more rapidly during the rest of 1980, the council reported that falling interest rates and a softening of the petroleum market — because of untoward political developments in the Middle East — indicate continued deceleration in inflation rates in coming months.

On the other hand, the report noted, the "underlying rate of inflation" appears to have moved to double-digit or near-double-digit levels.

The "underlying rate" measures consumer prices less the costs of home purchase, finance, taxes and insurance, food, energy and used cars.

"Although slack labour and product markets are likely to prevent further acceleration of the underlying rate," according to the council, "upward pressure on wages caused by recent increases in the cost of living, along with continued slow growth of labour production, is likely to prevent rapid reduction of the underlying rate."

President Carter has given emphatic "no" to the idea of massive tax cuts to counter the recession, as proposed by presidential hopeful Ronald Reagan and Republican leaders in Congress. He calls that approach "political double talk and ideological nonsense."

At the same time, Carter held a meeting of the nation's mayors on June 10 that he would take additional steps to alleviate difficulties caused by the deepening recession if unemployment worsened.

But this would not be done at the expense of refuelling inflation and compromising fiscal discipline in the federal budget, he said.

Despite growing political pressure within Congress for tax reductions, the President has repeatedly sought to avoid action in this area until Congress comes forth with a federal budget that the Administration feels demonstrates spending restraint and is not inflationary.

Secretary of Commerce Philip Klutznick said on June 10, Carter's economic advisers were considering "a number of alternatives" that would extend tax relief to the American people "at an appropriate time."

"We've said that money in this area is being considered," he said.

"We've said for some time that we would not put a programme for tax relief in place until the Federal budget was under control."

The centerpiece of the fiscal Congressional programme is a three-year, 30 per cent across-the-board cut in individual income taxes.

The Carter Administration and many private economists say a tax reduction of this magnitude would be inflationary.

But many economists advocate some sort of tax cut that would include provisions to promote business investment.

For example, Chimere, chairman of the Council of Economic Advisors, says that "accelerated depreciation" — faster write-offs for capital goods — would make the United States more competitive relative to other industrial countries.

Business community leans on tourism

by Jill Nicholes

THEY call their town the tourist capital of New Zealand.

But pull the plug on tourism, and Rotorua would crash down its own thermodynamic slide.

It has long been the lifeblood of sulphur city business.

The reason, their critics say, is that they've had it too good too long.

It is a town where profitability is a constant battle.

On the other hand, there is no denying the fact that Rotorua is a town where business has never been more successful.

Fifteen years ago they did not see themselves into the Rotorua Progressive Business Association, but it didn't take long for the word "rotorua" to be dropped in the title.

It was considered to be an anachronism.

For in Rotorua's 100th anniversary year has not been a year of celebration.

It has gone into recession and seems little chance of being it in the foreseeable future.

Centennial year has not been a year of celebration for the association.

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those who claim that pressure from chain stores (of which Rotorua has many) will continue to keep things this way for a long time to come.

Brion Barrett, who managed six Travel Lodges in Australia and New Zealand before taking up his Rotorua Travel Lodge appointment three years ago, says he does not believe locals realise how important tourism is to them and their continuing existence.

He says that without Saturday trading and an organised approach to it, Rotorua will lose in five years what it has taken 100 to build.

These views are echoed by Gary Wood, president of the Rotorua Motellers' Association.

Wood says that 96 per cent of all overseas tourists who come to New Zealand visit Rotorua. It is a continuing grumble from them that Rotorua closes down at the weekend.

They are frequently left wondering why they have come to the place and, he says, some tour operators are now deliberately avoiding Rotorua at weekends and inconvenient hours.

Wood sees the businessmen's association's failure to drive a national disaster. In his view, Rotorua is a city of fence-sitters — willing to criticise but too frightened to stand up and be counted.

Criticism of this kind is nothing new to Rotorua's business community. Nine years ago, a newspaper article dealing with a businessmen's association clash over late-night shopping said: "This splitting on an issue so straightforward reveals Rotorua for what it really is — a small place, with a small mind, where central city commerce dictates all".

Rotorua's businessmen are wont to boast how glad they are that little changes in their tourist goldmine.

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Gary Wood ... city closes at weekend.

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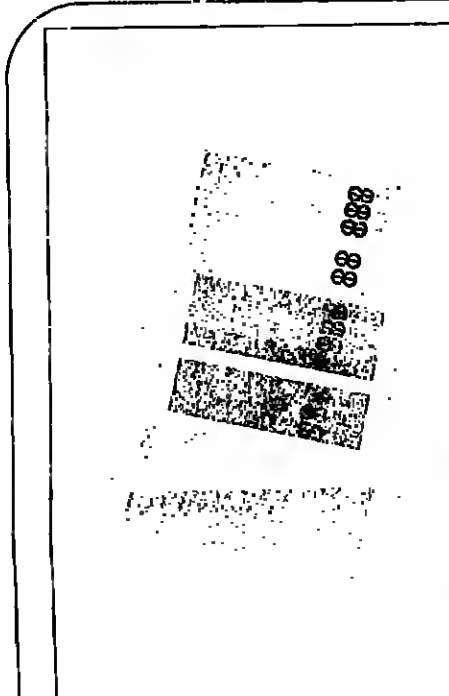
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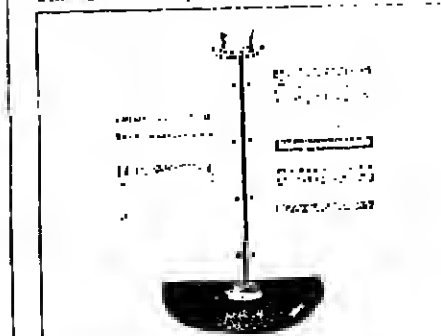
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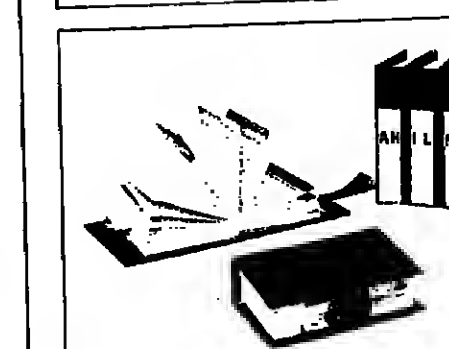
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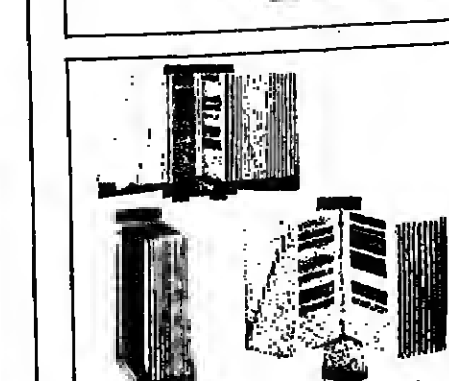
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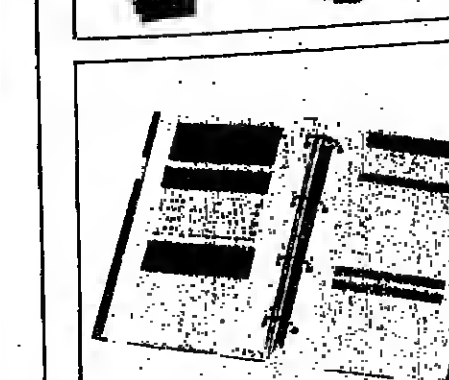
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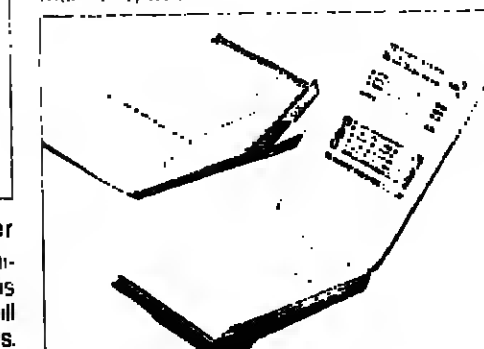
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Law

Report raps knuckles but reprieves land court

by Jack Hodder

OUR predominantly English legal system is often seen at less than its best when in contact with the Maori population. For that reason alone the report of the Royal Commission on the Maori Land Courts — the only uniquely New Zealand legal institutions we have — deserves careful attention.

The report, released earlier this month, gives the Maori Land Courts a temporary reprieve and the Maori Affairs Department a sharp rap over the knuckles.

The Royal Commission consisted of Sir Thaddeus McCarthy, former President of the Court of Appeal and veteran chairman of Royal Commissions, W. R. Mele-King, a Rata farmer, and M. J. Q. Pyle, a Dannevirke lawyer. Its appointment in August 1978 virtually coincided with

the presentation of the report of the Royal Commission on the Courts. It remains unclear why the terms of reference of the earlier Royal Commission, chaired by Mr Justice Beattie and including Professor I. H. Kawharu as a member, did not extend to the Maori Land Courts.

The Maori Land Courts comprise the Maori Land Court itself, with a Chief Judge (the position is currently vacant), five permanent judges and registries at Whangarei, Hamilton, Rotorua, Gisborne, Wanganui, Palmerston North and Christchurch, and the Maori Appellate Court, comprising three or more of the Maori Land Court judges. These courts are concerned with "Maori land" which has a complex statutory definition summarised in the report as land "which has never been alienated from Maoris and is

still multiply owned, predominantly by Maoris"; such land represents 4.5 per cent of the total area of New Zealand.

The Maori Land Court was established in 1865 to bring the European purchase of Maori-owned land within an orderly system. It was the instrument by which a system of individual ownership of land was imposed on a Maori population which had always held land on a tribal and communal basis.

The present jurisdiction of the Maori Land Court includes:

- Confirming alienations of Maori freehold land by way of transfer;
- Vesting such land in trustees to facilitate its use, management or alienation;
- Granting exchange orders and orders for incorporation of Maori owners;
- Summoning meetings of assembled owners (if more than

10) to consider resolutions to sell or lease land and confirming or rejecting any such resolutions passed.

The themes and conclusions of the report may best be seen by quoting the major recommendations:

- "The Maori Land Court and the Maori Appellate Court should continue to operate without major changes in format and administration until the existence and ownership of Maori land are adequately recorded in the land transfer register. At that stage their judicial functions should be absorbed by the main courts and their administrative functions relating to land undertaken by the Department of Maori Affairs supplemented by such bodies as the Maori Land Board and the Maori Land Advisory Committees."
- "The administrative services to the Court should con-

tinue to be provided by the Department of Maori Affairs if the present administrative deficiencies can soon be remedied."

In favouring retention of the *status quo* the Royal Commission declined suggestions that the Maori Land Courts' jurisdiction might, on the one hand, be extended to criminal matters or re-extended to testamentary matters, or, on the other hand, be transferred to the Waitangi Tribunal or a new division of the district courts (this last suggestion was advanced by Professor Kawharu).

It noted that the possibility of special Maori community courts is under discussion in the Justice Department and suggested that greater sympathy and understanding of Maori ethos and difficulties could be given to the district courts by the appointment of more judges of Maori descent.

The crucial factor in the recommendation to retain the Maori Land Court was the finding of "severe disarray" in the records of ownership of and entitlement to Maori land — "thousands of blocks of Maori land unsurveyed, records of ownership and succession incomplete, and a very large number of partitions and other orders of the court unregistered".

The Royal Commission considers that no body other than the Maori Land Court could do the complex work necessary to bring these records to condition where they can be transferred to the general land transfer system: it estimated the task might take up to a decade (if the Government is prepared to commit the necessary resources).

The Maori Affairs Department, established originally to service the Maori Land Courts, comes in for sharp criticism in the report for failing to provide adequate administrative services to the courts.

It seems that doubts about the future of the court following the 1965 Pritchard Report (recommendations of which formed the basis of the much criticised Maori Affairs Amendment Act 1967) resulted in poorer staffing of the courts' registries and benign neglect from head office. This caused massive problems in at least the Wanganui and Rotorua registries and a similarly massive breakdown in communications between judges and senior department officers.

Remedial measures instituted by the Maori Affairs Department within the past year are welcomed by the Royal Commission, indeed are regarded as one of the most valuable results of the inquiry, but the report gives clear warning that if that department does not shape up then responsibilities associated with the courts will have to be transferred to the Department of Justice.

The Maori Affairs Department also comes in for express or implied criticism for its initial lukewarm attitude toward the Royal Commission itself, for the introduction of a consolidating Maori Affairs Bill at the time that the Royal Commission was established (resulting in many bodies devoting their submissions to the Bill, not to the Royal Commission) and for the state of the Maori land records (including belated consideration of the use of computerisation).

The legal profession is likely

to be happy with the report, as well as recommending an explicit right of appeal to the Court of Appeal, it recommends abolition of the rule that leave must be given by the Maori Land Courts for cases to be represented by lawyers that the relevant legal aid provisions be reviewed and the reports of the more important decisions of the courts should be published in an appropriate series.

It also predicts that more work will be available for lawyers in this area with growth in large co-operative Maori business ventures and the extension of legal aid.

The Royal Commission describes its inquiry as having been at times frustrating, because of the absence of participation in the inquiry of Maori dwellers (some 80 per cent of the Maori population), the young radicals and Maori members of the profession.

Parts of the report are a puzzle to the lawyer: the lack of uniformity of many of the findings; the lack of concern for Maoris at the state of their records; and the pretence of the wider definition of Maori — as one descended from a Maori — to that limiting it to classification to those of Maori blood (which doesn't make the recording of details of land tenure any easier).

The impression also emerges from the report that the Royal Commission trudged sturdily across the traditional Maori landscape just conscious that a majority of those that call themselves Maori are now inhabiting a different landscape.

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The new short cut to legislative, administrative and judicial information.

Plastics

Import control removal threatens industry sectors

THIS survey on the plastics industry is prepared by David Peesch in association with the Plastics Institute of New Zealand.

and sophistication of home and export markets.

"The upgrading of plant and machinery is a continuing process and companies that fall behind in this area can expect to suffer in the marketplace," he said.

The industry could ensure its highly competitive position only taking advantage of improved production technology to increase efficiency and by having continued free access to raw materials and technology from overseas suppliers.

Dunlop said the local industry operated some large plants by world standards, but the prime problem relating to New Zealand's operations was its dependence on short-run production due to the size and the requirements of the local market.

The current trend was toward more specialised plants incorporating bulk handling facilities and the latest computer-control systems.

The industry suffered from a small local market with consequent cost disadvantages in terms of scale of production.

Short production runs, longer down-time between jobs, the high costs of internal freight coupled with additional social charges, contributed to the industry's inability to compete on the home market on a volume basis with imports from high volume and often low labour cost countries.

On exporting, Dunlop said he expected the industry to continue to make a significant contribution through indirect exports, especially packaging for processed primary products and manufactured components for a wide range of other manufactured goods.

In recent years the plastics industry has made a substantial contribution to the country's balance of payments by being both an efficient producer of import substitution goods as well as achieving a high level of direct exports in its own right.

Last year, the industry exported more than 10 per cent of its total production, worth about \$35 million. The dollar value of exports is expected to reach \$50 million by the end of this year.

Dunlop said the potential for increased direct exports would depend in part on obtaining competitively priced raw materials for local manufacture.

If basic raw materials were available from a local petrochemical industry at a price that could be regulated to compete internationally, New Zealand could have a plastics raw materials and processing industry

specific resin types were not available from local production but in general, local plastics resin production could eliminate much of the inward freight content of plastics and give the industry a closer and more dependable source of its main raw material.

Secure sources of plastics resins for New Zealand were essential in light of the uncertain international situation which could lead to a major disruption in supply.

The PINZ paper to the IDC on potential for development during the next 10 years lists the industry's objectives as being:

- To provide better packaging competency for the growing primary and manufacturing industries and their exports through increased technology and a wide product range;
- To utilise natural resources productively;
- To expand its own direct exports throughout the world to 20 per cent of total production;
- To continually update its plant and technology to remain



Bruce Dunlop... potential for growth.

• To expand its own direct exports throughout the world to 20 per cent of total production;

• To continually update its plant and technology to remain

efficient in its operations;

- To maximise the utilisation of manpower, materials and machinery committed to the production of plastics products; and

- To recruit, train and retain qualified people to ensure the industry's growth.

Dunlop maintained that to achieve these objectives, and allow the industry to fully play its part as a significant contributor to the national economy, a firm statement of Government support during the next 10 years is essential.

That support would need to include the development of a taxation system to make shift work and overtime more financially attractive to the labour force, and a greater recognition by Government of the contribution made by the industry in the areas of import substitution and direct and indirect export.

What Union Company customer service means to Ray Story.



Ray Story is Operations Manager for Bandag Industries, a company that imports a form of highly-perishable rubber from Australia for use in the manufacture of high-grade commercial tyre retreads.

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Film wraps catamaran

THENUAPAI, Auckland, boat-builder Richard Pilkington has fulfilled his first export order with the help of plastic shrink-wrap film.

UEB Industries Ltd's Auckland film extrusion branch was contracted to the 8.5 catamaran ready for export to Canada.

The hulls were top-and-bottom-boarded with rudder, centre-board, sails and squabs — everything except the main mast — secured inside. A mobile shrink-wrapping

machine was used for the job.

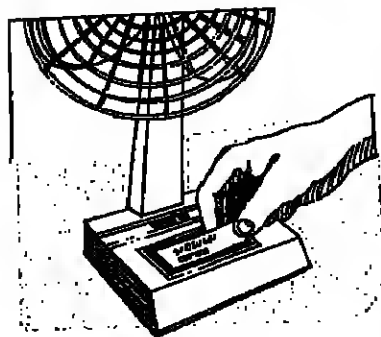
The catamaran has been bought by a retired Canadian businessman who will use it to commute between his home on Elgg Island, in Lake Huron, one of the Great Lakes, and his home on the mainland.

The shrink-wrapped catamaran was shipped in a container to Toronto via the St Lawrence Seaway, then overland to the lake.

According to Pilkington, the shrink-wrap ensured the yacht was kept clean and secure all the way to its destination.

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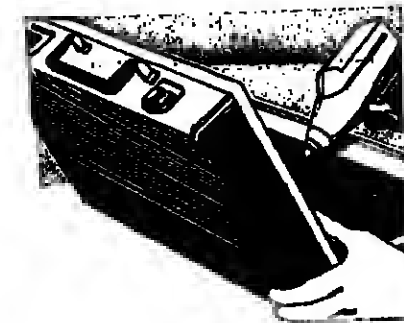
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POLYMER PRODUCTS

Australians slam LPG

THE Plastics Institute of Australia has hit out strongly against the country's plans to use LPG as an alternative fuel to gasoline.

In a newsletter distributed throughout the industry and to members of both State and Federal Government, the institute points out that LPG used as a car fuel can, only at best, be short-term, and that far greater added value can be given the gas product if it is used as a plastics feedstock.

this fuel offered them an insurance against future gasoline shortages and price rises.

The Australian institute said current conversions were makeshift, with regard to both engine and vehicle.

"The optimum design of engines for LPG requires different materials and different lubricants from those using gasoline. The design of vehicles for LPG requires provision for the difficult and greater hazards involved in using this fuel rather than gasoline. Already there have been a number of gas explosions with LPG converted vehicles.

"And dual fueled engines must be designed and tuned for gasoline and consequently they cannot realise the efficiency potential of LPG.

"Manufacture of engines specifically for LPG use in the future must be limited, if for no other reason than that the availability of LPG itself, like petroleum, is limited."

The institute has estimated that on current production/usage figures, LPG could never replace more than 15 per cent of Australia's total motor gasoline consumption. It maintains that the introduction of LPG as an alternative fuel for private motorists is a "non-event".

"The determination of national priorities for energy consumption is a complex matter," the institute said.

"Great care must be taken to ensure that energy resources are used responsibly to produce the maximum possible benefit to the nation. And in this respect there is a strong case for using LPG as a petro-chemical feedstock rather than as a car fuel.

"It is obvious in terms of practicality and availability, that in order to meet the future demand for ethylene, we must look to natural gas, and specifically the LPG component of natural gas.

"LPG is a highly satisfactory feedstock for ethylene and offers a far more suitable spectrum of co-products for the 'down-stream' industries in Australia than either naphtha or ethane."

It said the issue at stake is the allocation of domestic hydrocarbon energy supplies, something which is currently facing the New Zealand plastics industry, in its bid for a local raw materials manufacturing

industry based on Maui gas.

The Australians maintain the choice of LPG for either ethylene feedstock or transport fuels really has a minimal effect on that country's importation of petroleum. The deficiency, whether for ethylene or for transport fuel will be imported, it said.

Moreover, the institute maintains the effect on balance of payments will be small and unimportant because the prices of various petroleum liquids do not vary widely and relative prices depend on prevailing market conditions.

"In value added terms, the use of LPG as a petro-chemical feedstock is many times greater than simply burning it as a fuel in motor vehicles.

"The contribution that plastics are already making and will continue to make towards Australia's economic development has to be recognised. Plastics not only save energy by reducing fuel consumption in all forms of private and public transport, their use in insulation foams markedly reduces the consumption of heating fuels in buildings.

"As Australia will have to import hydrocarbons to make up for its indigenous deficiency, it makes sense to import gasoline for cars rather than naphtha for ethylene.

"To satisfy the demand for ethylene, we have LPG, highly suitable and available in adequate supplies as an ethylene feedstock.

"Such a decision to import gasoline for cars would have the effect of maintaining pressure on the community to reduce consumption by using smaller cars and public transport, something which is entirely consistent with sensible national policies on energy.

"In the national interest, Australia's LPG should be dedicated to the petro-chemical industry as an ethylene feedstock," the institute said.

Milkmaster wins again

DELTA Plastics Milkmaster automatic seat cup remover has won more awards at this year's national fideleys in Hamilton.

Two years ago the plastic-moulded unit won the prototype award as a unit. This year another modification of a section won a further prototype award and the unit itself, on the local market since September last year, won a proven equipment award.

These awards came at a time when Delta and its parent company, Allflex Holdings Ltd declared the maiden profit for Allflex as a public company.

The directors reported a profit in excess of the predictions they made in the share prospectus.

Profits for Delta for the year were \$1,792,000, \$697,000 of that attributable to the parent company for the last quarter of the year from January 1 to March 31 1980. Group profits were \$100,000 more than predicted.

Sales reached \$8,598,000 which was an increase of 55 per cent over the previous year, with 90 per cent of the group's turnover coming from export sales, the directors reported.

Managing director, R. Burford said prospects for further growth looked promising in both the export area and, since the more recently introduced Milkmaster, the New Zealand market. The company is now selling Milkmaster in New Zealand, the United States and Australia.

Plastics

are operating well and we are beginning to get orders for 'Milkmaster' in both those countries.



Tags... score well

"An advantage we have with Milkmaster in the United States is that our units have a considerable price advantage over locally-produced units of a similar type. It's ideally suited for the smaller American dairy farmer rather than the huge production units and that's where we are aiming our marketing effort."

The market for tags in the United States is showing steady growth and there are good

prospects for the insecticide-impregnated tags which are now being manufactured and marketed in the United States by Diamond Shamrock Corporation.

Allflex provides the male section of the tag. The larger, female section is produced by Diamond Shamrock.

The tags work similarly to flea collars on dogs, with a film of insecticide spreading from the tag over the animal through their air and by the animal licking itself. The tags are applied during the height of the fly-strike.

"On a recent trip in the United States I saw two animals in a race. One was wearing the tag; the other wasn't. There were no flies on the tagged animal while the untagged beast was covered in them," Burford said.

"The potential in many countries which have fly problems is considerable."

"If the plans we have discussed so far come to fruition then the numbers of tags used for this purpose will be in the many millions."

In the animal identification area Delta has had inquiries from countries such as Greece, Norway, Taiwan, Turkey,

Iran, East Germany, Czechoslovakia and Denmark.

"We confidently expect many of these inquiries to turn into firm orders during the next few months. Some may be small initial orders but we believe these will lead to larger, long term, contracts," Burford said.

Milan hosts Plast 80

PLAST 80, to be held in Milan from November 17-23, 1980, will be the biggest plastics exhibition yet. A 53,000 square metre display area consisting of 10 pavilions has been devoted to the exhibition.

Six of the pavilions will display machines, plant and equipment, moulds and components; three will be for raw materials, additives and dyes; and one for finished and semi-finished products in plastics and rubber.

The majority of exhibitors will be Italian, but several other large international companies will be represented. The last Plast exhibition held in 1976 was attended by 61,000 operators, over 32 per cent being drawn from outside Italy.

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Plastics

Fuel conservation demands widen market

THE 1980's will see a dramatic growth in the use of plastics as new applications are found for the materials and greater cost benefits are realised, according to PINZ president John Mason.

Mason said there was tremendous potential for growth in the industry. On a per-capita consumption basis New Zealand, which consumes between 30-35 kilograms of plastic products each year, is well behind such countries as West Germany (89 kgs in 1978), Sweden (79 kgs) and the United States (64 kgs).

With further rises in crude oil prices likely, and a resultant continued escalation in the price of plastics products, there is stronger-than-ever impetus



Boeing 747 ... contains more than 4.5 tonnes of plastic

for future developments in plastics to be in those applications which offer the greatest opportunities in cost benefits.

Mason said he considered this applied nowhere more than in the area of energy savings, and already there had been at-

tempts by automotive manufacturers to reduce the weight of their vehicles to achieve petrol consumption savings. An example of the contribution plastics can make in this area is the plastics petrol tank introduced by Ford in

1979, a component less than half the weight of the previously metal tank.

Other components for which plastics are being used are instrument panels, axle housings, drive shafts, bumpers and body panels.

Mason said the same drive for weight reduction was evident in all forms of public transport. Boeing's 747 jumbos each contain more than 4.5 tonnes of plastic, while the smaller 727 aircraft have 3.5 tonnes.

Building and construction also offered many opportunities for plastics, Mason said.

Their use can lower heating and maintenance costs as well as the initial cost of the construction.

Last year, an experimental low-energy house made largely

of plastics was opened in Adelaide, Australia. It was designed and built by Uniroyal.

Company executives say they believe the system will reduce building costs by at least 20 per cent during the 1980's. In addition, it expects up to 50 per cent savings on fuel bills and maintenance costs.

An import application in the Uniroyal house is plastics foam insulation. Investigations have shown this can reduce the energy required to heat a house by about one third.

Another development which Mason said could see commercial acceptance in the 1980's was the use of a specially constructed twin wall acrylic sheeting, PVC sheeting and polyester fibreglass in greenhouses.



John Mason ... many opportunities.

Because it was lightweight, installation costs were lowered, and it was not damaged by hail he said.

The twin wall construction provided excellent insulation and had already been shown to halve greenhouse fuel bills.

Foam moves into homes

THE plastics industry is helping the developing world to overcome an acute housing shortage.

According to the United Nations, the need during this decade will be for some 370 million dwellings in Africa, Asia and South America.

The United Nations believes that conventional building methods, the possibility of meeting this demand is remote.

With new building techniques — those involving reinforced polyester and foam core — there is a chance of meeting this demand, according to Professor Georges Patouillard, a pioneer in the design of reinforced polyester houses.

It maintains the total energy balance is in favour of synthetic materials.

For example, a polystyrene foam wall need only be one-tenth the thickness of a brick wall to provide equivalent insulation. The brick wall is 10 times as heavy, and takes 600 times as much energy to produce.

The implications to the plastics industry of the developing world's housing problems appear staggering. Between now and the end of the century, says Professor Patouillard, more houses will be built than have ever before been built in recorded history.

"If current developments are any indication, the success of the building programme will depend greatly on the extension and improvement of existing plastics technology," he says.

"There is no question that meeting the housing needs of developing nations will provide expanding and profitable markets for plastics materials, manufacturers and processors in the industrialised world.

"And there is no question that these nations will speed up the development of their own plastics industries. "The technology developed to meet these new housing needs can also be of vast benefit to the industrialised world. "Efficient low-cost building methods are needed by all nations rich and poor," he says.

Rubberplas exhibition

RUBBERPLAS '80, an international showcase for new rubber and plastics materials, machinery and products was held in Singapore recently.

The exhibition was run in conjunction with two important international conferences — one dealing with rubber topics, the other with plastics.

The exhibition attracted exhibitors from Europe, Britain, the United States, Taiwan, France, Japan, Italy and West Germany.

On display was some of the most sophisticated plastics forming machinery in the world, and the plastics conference complemented the introduction of new processing techniques and machinery, with discussion of injection moulding advances, co-extrusion machinery and techniques, and new thermofforming and blow moulding technology.

Rubberplas '80 was the first such exhibition to be held in Asia. Rubberplas '82, is planned for May 1 next year.

Food film hits million dollar mark

EXPORT sales worth more than \$1 million are expected this year for a sophisticated type of food packaging film manufactured by W.R. Grace NZ Ltd.

The Wellington-based company is exporting the specially extruded plastic film to a sister company in Australia for marketing and distribution.

The film is manufactured on plant developed by W.R. Grace and Co in the United States, and imported to the New Zealand company.

The plant which has a replacement value of more than \$5 million, manufactures plastic film with a high-energy electron beam that cross-links the individual fibres of the polyolefin plastic material used.

Exposure to this form of radiation strengthens the film and gives a greater shrink resistance and inhibits crystal growth in the film.

The radiation cross-linking system offers the advantage of being able to turn ordinary plastic resins into high-performance films.

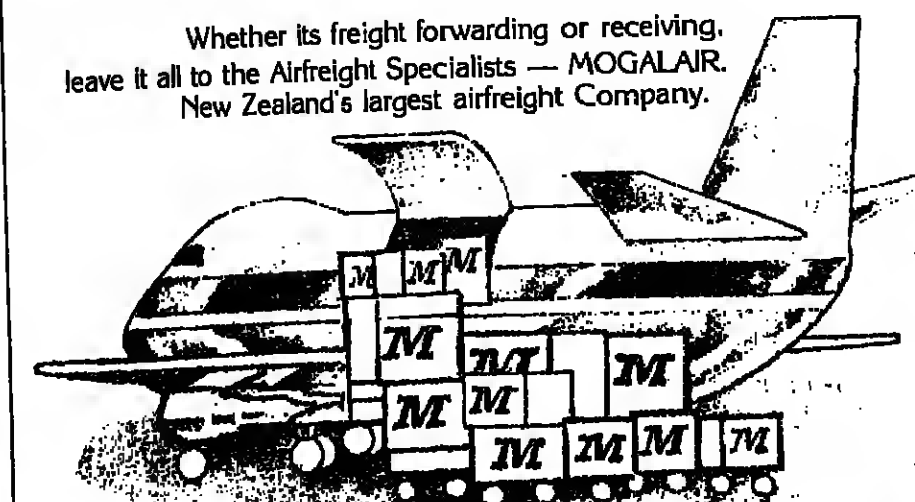
Grace operates two electron beam production units. One is engaged in making single layer films for shrink wrapping and overwrapping applications, while the other has been specially developed to produce a so-called three-layer tube of film.

Export market for the tube film material have also been developed principally in Japan and Europe.

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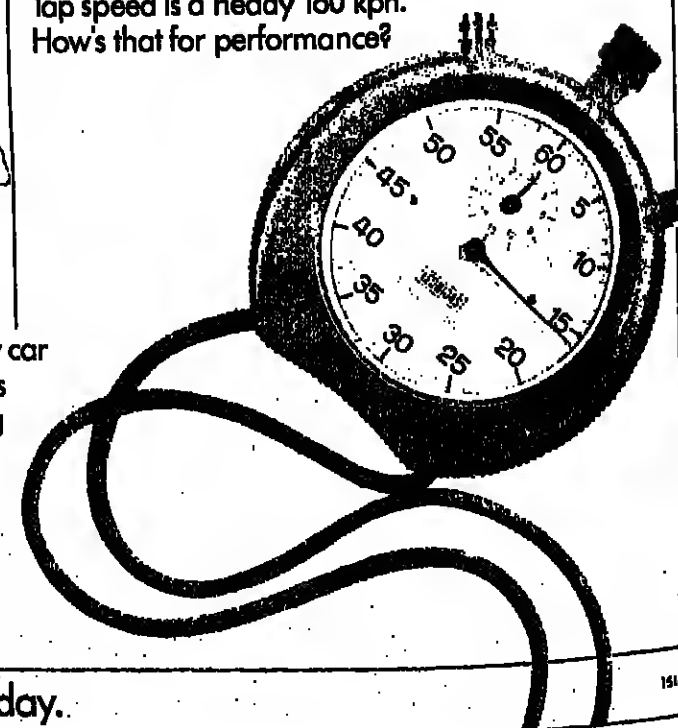
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